Registre de Commerce et des Sociétés
B151018 - L150190899
déposé le 22/10/2015

MENTION

Dénomination / Raison sociale de la société : ABH Holdings S.A.
Siège social :3, boulevard du Prince Henri, L-1724 Luxembourg
N° du Registre de Commerce : **B 151.018**

N° code donneur d'ordre : 1026

Les comptes consolidés au 31 décembre 2014 ont été déposés au Registre de Commerce et des Sociétés.

Pour mention aux fins de publication au Mémorial, Recueil Spécial des Sociétés et Associations.

Registre de Commerce et des Sociétés
B151018 - L150190899
enregistré et déposé le 22/10/2015

ABH HOLDINGS S.A.

International Financial Reporting Standards
Consolidated Financial Statements and
Audit Report

31 December 2014

CONTENTS

ABH Holdings S.A. (Société Anonyme)
3, Boulevard du Prince Henri
L-1724 Luxembourg
R.C.S. Luxembourg : B 151 018

Management report

The Board of Directors of ABH Holdings S.A. (the "Company") takes pleasure in presenting their annual report together with the consolidated financial statements of the Company and its subsidiaries (the "Group") prepared in accordance with International Financial Reporting Standards ("IFRS") for the year ended 31 December 2014. The consolidated financial statements have been prepared in accordance with IFRS which, for the operations conducted and the accounting principles adopted by the Group, are also in compliance with IFRS as adopted by the European Union.

Principal activities

The Group operates in the following main segments: corporate and investment banking, retail banking and treasury operations. A substantial part of the Group's activities are carried out in the Russian Federation, Ukraine, Kazakhstan and Belarus. As at 31 December 2014 the Group comprised four subholdings owned and controlled through respective holding companies: ABH Financial Limited (operating mainly in the Russian Federation, the Netherlands and Cyprus), ABH Ukraine Limited (operating in Ukraine), ABH Kazakhstan Limited (operating in Kazakhstan) and ABH Belarus Limited (operating in Belarus). Detailed information on the main subsidiaries of the Group is disclosed in Note 1.

Review and developments of the Group's business and financial position

Detailed information on the operating environment of Group is disclosed in Note 1.
Profit for the year ended 31 December 2014 was USD 1 265 million (2013: profit of USD 862 million) while total comprehensive loss for the year was USD 2 068 million (2013: loss of USD 78 million). As at 31 December 2014 the total assets of the Group were USD 47 286 million (2013: USD 53 219 million) and the total equity was USD 4 468 million (2013: USD 5 258 million). Detailed information on the financial performance and position of segments of the Group is disclosed in Note 30.

During 2014 the Group acquired a number of subsidiaries and detailed information in this respect is disclosed in Note 41.

Principal risks and uncertainties

The main risks and uncertainties faced by the Group and the steps taken to manage these risks are described in Notes 2, 4, 31 and 33 to the consolidated financial statements.

Share capital

There were no any changes in the share capital during the year and subsequently, please refer to Note 32 of the consolidated financial statements.

Corporate Governance

Strong corporate governance is an integral part of the Group's core values and detailed information on this matter is disclosed in Notes 1 and 31.

Important events after the reporting period

Important events that occurred after the end of the reporting period are described in Notes 2 and 42 to the consolidated financial statements.

Luxembourg,

28 May 2015

Dmitry Vovk
Director

pwc

Audit report

To the Shareholders of
ABH Holdings S.A.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of ABH Holdings S.A. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2014, and consolidated statement of profit or loss and other comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the "Réviseur d'entreprises agréé"

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the judgment of the "Réviseur d'entreprises agréé" including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the "Réviseur d'entreprises agréé" considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Cabinet de révision agréé. Expert-comptable (autorisation gouvernementale n°10028256)
R.C.S. Luxembourg B 65 477 - TVA LU25482518

pwc

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of ABH Holdings S.A. and its subsidiaries as at 31 December 2014, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

The management report, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 28 May 2015

Philippe Duren

ABH HOLDINGS S.A.
Consolidated Statement of Financial Position

In millions of US Dollars	Note	31 December 2014	31 December 2013
ASSETS			
Cash and cash equivalents	7	5 426	6 459
Mandatory cash balances with central banks		290	453
Trading securities	8	676	1 484
Repurchase receivables relating to trading securities	8	339	1 881
Due from other banks	9	3 674	3 361
Loans and advances to customers	10	29 232	36 002
Investments	11	2 050	1 453
Repurchase receivables relating to investments	11	1 042	-
Derivative financial instruments	12,38	2 872	403
Other financial assets	13	464	320
Investments in associates		10	15
Land, premises and equipment	14	629	809
Goodwill and intangible assets	15	132	160
Investment property	16	123	61
Current income tax prepayment		113	18
Deferred tax assets	29	50	80
Other assets	17	164	260
TOTAL ASSETS		**47 286**	**53 219**
LIABILITIES			
Due to other banks	18	8 709	7 875
Customer accounts	19	23 049	29 977
Debt securities issued	20	5 307	6 622
Syndicated and other debt	20	276	401
Subordinated debt	20	1 813	2 057
Derivative financial instruments	38	2 715	213
Other financial liabilities	21	452	282
Current income tax liabilities		51	14
Deferred tax liabilities	29	213	90
Other liabilities	22	233	430
TOTAL LIABILITIES		**42 818**	**47 961**
EQUITY			
Share capital	23	-	-
Additional paid-in capital	23	587	587
Fair value reserve for investments available for sale		(65)	(1)
Revaluation reserve for premises and land		123	88
Cumulative translation reserve		(2 598)	(556)
Retained earnings		6 408	5 140
Net assets attributable to the Company's owners		**4 455**	**5 258**
Non-controlling interest	41	13	-
TOTAL EQUITY		**4 468**	**5 258**
TOTAL LIABILITIES AND EQUITY		**47 286**	**53 219**

These consolidated financial statements were approved for issue by the Board of Directors of ABH Holdings S.A. on 28 May 2015 and any further changes require approval of this body.

ABH HOLDINGS S.A.

Consolidated Statement or Profit or Loss and Other Comprehensive Income

In millions of US Dollars	Note	2014	2013
Interest income	24	4 686	4 658
Interest expense	24	(2 231)	(2 150)
Net interest income		**2 455**	**2 508**
Provision for loan impairment	10	(1 706)	(624)
Net interest income after provision for loan impairment		**749**	**1 884**
Fee and commission income	25	1 175	1 105
Fee and commission expense	25	(276)	(255)
Gains less losses arising from trading securities		(294)	(26)
Gains less losses arising from interest based derivatives		7	15
Gains less losses from trading in foreign currencies	26	132	(37)
Foreign exchange translation gains less losses		1 675	57
Gains less losses arising from investments available for sale	11	(30)	55
Gains less losses arising from acquisition of own debts		6	(4)
Gain on bargain purchase	41	147	-
Other provisions and impairment losses	11,13,17,33	(193)	(40)
Investment property revaluation and gains less losses	16	1	(16)
Net gains on disposal of subsidiaries		17	5
Share of result of associates		3	(2)
Other operating income	27	44	47
Operating expenses	28	(1 504)	(1 668)
Profit before tax		**1 659**	**1 120**
Income tax expense	29	(394)	(258)
Profit for the year		**1 265**	**862**
Other comprehensive loss:			
Items that may be reclassified subsequently to profit or loss:			
Investments available for sale:			
- Fair value gains less losses	11	(103)	(18)
- Reclassification adjustments for (gains)/losses included in profit or loss		24	(55)
Effect of translation of the financial statements of foreign operations		(2 104)	(231)
Net change in hedge of net investment in foreign operations	38	62	195
Income tax on items that may be reclassified subsequently to profit or loss	29	15	4
Items that will not be reclassified to profit or loss:			
Revaluation of premises and land	14	48	33
Income tax on items that will not be reclassified to profit or loss	29	(10)	(6)
Total other comprehensive loss for the year		**(2 068)**	**(78)**
Total comprehensive (loss)/income for the year		**(803)**	**784**
Profit attributable to:			
The Company's owners		1 265	864
Non-controlling interest		-	(2)
Profit for the year		**1 265**	**862**
Total comprehensive (loss)/income attributable to:			
The Company's owners		(803)	786
Non-controlling interest		-	(2)
Total comprehensive (loss)/income for the year		**(803)**	**784**

The notes set out on pages 5 to 99 form an integral part of these consolidated financial statements.

ABH HOLDINGS S.A.
Consolidated Statement of Cash Flows

In millions of US Dollars	Note	2014	2013
Cash flows from operating activities			
Interest received		4 642	4 592
Interest paid, other than on debt securities issued, syndicated and other debt and subordinated debt		(1 628)	(1 478)
Fees and commissions received		1 171	1 096
Fees and commissions paid		(276)	(251)
Net result received from trading securities		133	(27)
Net result from trading in foreign currencies		(19)	(46)
Net result from interest rate derivatives		38	8
Other operating income received		65	27
Staff costs paid		(842)	(939)
Other operating expenses paid		(569)	(591)
Income tax paid		(358)	(242)
Cash flows from operating activities before changes in operating assets and liabilities		**2 357**	**2 149**
Changes in operating assets and liabilities			
Net change in mandatory cash balances with central banks		(4)	43
Net change in trading securities and repurchase receivables		1 550	(523)
Net change in due from other banks		(688)	(457)
Net change in loans and advances to customers		(5 274)	(4 536)
Net change in other financial assets and other assets		(317)	(228)
Net change in due to other banks		4 037	1 842
Net change in customer accounts		507	1 537
Net change in other financial liabilities and other liabilities		148	19
Net cash from/(used in) operating activities		**2 316**	**(154)**
Cash flows from investing activities			
Acquisition of investments available for sale		(7 372)	(2 078)
Proceeds from disposal and redemption of investments available for sale		7 096	2 826
Acquisition of investments held to maturity		(1 221)	(134)
Proceeds from redemption of investments held to maturity		141	35
Acquisition of equity investments designated at fair value through profit or loss		-	(14)
Disposal of equity investments designated at fair value through profit or loss		1	101
Acquisition of investment property		(4)	-
Proceeds from disposal of investment property		14	10
Acquisition of premises, equipment and intangible assets		(182)	(318)
Proceeds from disposal of premises, equipment and intangible assets		6	36
Acquisition of subsidiaries, net of cash acquired		112	-
Proceeds from disposal of subsidiaries, net of cash disposed of		-	15
Acquisition of associates		-	(3)
Net cash (used in)/from investing activities		**(1 409)**	**476**
Cash flows from financing activities			
Contributions from shareholders		-	210
Proceeds from debt securities issued		2 346	3 323
Repayment of debt securities issued		(2 416)	(2 510)
Interest paid on debt securities issued		(432)	(433)
Proceeds from syndicated and other debt		137	397
Repayment of syndicated and other debt		(523)	(119)
Interest paid on syndicated and other debt		(18)	(14)
Proceeds from subordinated debt		248	-
Repayment of subordinated debt		(48)	(39)
Interest paid on subordinated debt		(145)	(159)
Net cash (used in)/from financing activities		**(851)**	**656**
Net increase in cash and cash equivalents		**56**	**978**
Cash and cash equivalents as at the beginning of the year	7	6 459	5 651
Effect of exchange rate changes on cash and cash equivalents		(1 089)	(170)
Cash and cash equivalents as at the end of the year	**7**	**5 426**	**6 459**

Refer to Notes 23 and 41 for information on significant non-cash transactions of the Group.

ABH HOLDINGS S.A.
Consolidated Statement of Changes in Equity

In millions of US Dollars	Note	Attributable to the Company's owners: Share capital and additional paid-in capital	Fair value reserve for investments available for sale	Revaluation reserve for premises and land	Cumulative translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
As at 31 December 2012		**56**	**68**	**67**	**(520)**	**4 270**	**3 941**	**4**	**3 945**
Profit		-	-	-	-	864	864	(2)	862
Other comprehensive loss		-	(69)	27	(36)	-	(78)	-	(78)
Total comprehensive income for the year		-	(69)	27	(36)	864	786	(2)	784
Realised revaluation reserve		-	-	(6)	-	6	-	-	-
Contributions from shareholders	23	531	-	-	-	-	531	-	531
Acquisition of non-controlling interest		-	-	-	-	-	-	(2)	(2)
As at 31 December 2013		**587**	**(1)**	**88**	**(556)**	**5 140**	**5 258**	**-**	**5 258**
Profit		-	-	-	-	1 265	1 265	-	1 265
Other comprehensive loss		-	(64)	38	(2 042)	-	(2 068)	-	(2 068)
Total comprehensive loss for the year		-	(64)	38	(2 042)	1 265	(803)	-	(803)
Realised revaluation reserve		-	-	(3)	-	3	-	-	-
Business combination	41	-	-	-	-	-	-	13	13
As at 31 December 2014		**587**	**(65)**	**123**	**(2 598)**	**6 408**	**4 455**	**13**	**4 468**

1 Introduction

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2014 for ABH Holdings S.A., a limited liability company (the "Company") and its subsidiaries (the "Group"). The Group is involved primarily in banking business in the Russian Federation, the Netherlands, Ukraine, Kazakhstan, Cyprus and Belarus. As at 31 December 2014 the Group comprised four subholdings owned and controlled through respective holding companies: ABH Financial Limited (operating mainly in the Russian Federation, the Netherlands and Cyprus), ABH Ukraine Limited (operating in Ukraine), ABH Kazakhstan Limited (operating in Kazakhstan) and ABH Belarus Limited (operating in Belarus).

The Company is owned by six shareholders: Mr. Fridman, Mr. Khan, Mr. Kuzmichev, Mr. Aven, Mr. Kossogov, and a non-profit organisation (which holds interest which was prior to 2015 owned by Mr. Knaster) (the "Shareholders"). None of the Shareholders individually controls and/or owns a 50% or more interest in the Company.

The registered office of ABH Holdings S.A. is 3 Boulevard du Prince Henri, L-1724 Luxembourg, Grand Duchy of Luxembourg.

ABH Financial Limited (together with its subsidiaries referred to as "ABH Financial"). ABH Financial operates mainly through Joint Stock Company Alfa-Bank ("Alfa-Bank Russia"). Alfa-Bank Russia is registered in the Russian Federation to carry out banking and foreign exchange activities and has operated under a full banking license issued by the Central Bank of the Russian Federation (the "CBRF") since 1991. Alfa-Bank Russia operates in all banking sectors of the Russian financial markets, including interbank, corporate and retail loans and deposits, foreign exchange operations and debt and equity trading. In addition, a complete range of banking services is provided in Russian Roubles ("RR") and foreign currencies to its customers.

Alfa-Bank Russia participates in the Russian Federation State deposit insurance scheme. The State Deposit Insurance Agency (the "SDIA") guarantees repayment of 100% of individual deposits up to RR 1.4 million per individual in case of the withdrawal of a license of a bank or the CBRF imposed moratorium on payments. Alfa-Bank Russia is licensed by the Federal Commission on Securities Market for trading in securities. Alfa-Bank's Russia major subsidiaries are Amsterdam Trade Bank N.V. (the Netherlands) and Baltiyskiy Bank (Note 41).

ABH Financial is also the parent company of Alfa Capital Holdings (Cyprus) Limited which is primarily involved in the investment banking business including proprietary trading and brokerage activities, investment and merchant banking and asset management. Alfa Capital Holdings (Cyprus) Limited is regulated by the Cyprus Securities and Exchange Commission and licensed principally for brokerage activities and proprietary trading (own trading in shares and debentures). The license entitles Alfa Capital Holdings (Cyprus) Limited to operate both locally (with certain restrictions) and outside Cyprus.

ABH Ukraine Limited (together with its subsidiaries referred to as "ABH Ukraine") operates mainly through Public Joint Stock Company Alfa-Bank ("Alfa-Bank Ukraine"). Alfa-Bank Ukraine is registered by the National Bank of Ukraine (the "NBU") since March 1993. Alfa-Bank Ukraine's principal business activities include taking deposits and granting loans and advances, investing in securities, transferring payments in Ukraine and abroad and exchanging currencies. Alfa-Bank Ukraine participates in the Ukrainian state deposit insurance scheme which currently guarantees repayment of individual deposits up to UAH 200 thousand.

ABH Kazakhstan Limited (together with its subsidiaries referred to as "ABH Kazakhstan") operates mainly through Open Joint Stock Company Subsidiary Bank Alfa-Bank ("Alfa-Bank Kazakhstan"). Alfa-Bank Kazakhstan was established in December 1994 in the Republic of Kazakhstan. Alfa-Bank Kazakhstan's principal business activities include banking operations within Kazakhstan. Alfa-Bank Kazakhstan participates in the Kazakh state deposit insurance scheme which currently guarantees repayment of individual deposits up to KZT 5 million.

ABH Belarus Limited (together with its subsidiaries referred to as "ABH Belarus") operates mainly through Closed Joint Stock Company Alfa-Bank ("Alfa-Bank Belarus"). Alfa-Bank Belarus was registered in 1999 and was acquired by the Group in 2008. Alfa-Bank Belarus's principal business activities include taking deposits and granting loans and advances, investing in securities, transferring payments in Belarus and abroad and exchanging currencies. Alfa-Bank Belarus participates in the Belarusian state deposit insurance scheme which currently guarantees 100% repayment of individual deposits.

2 Operating Environment of the Group

The Group operates mainly in economies displaying characteristics of emerging markets. Future development in political, economic, regulatory, tax and legal environment may have a significant impact on the Group's operations and financial position, the effect of which is difficult to predict. Such developments and effect of those on the Group may differ from the management's current expectations.

Russian Federation. The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations (Note 33). During 2014, the Russian economy was negatively impacted by a decline in oil prices and ongoing political tension in the region and international sanctions against certain Russian companies and individuals. As a result during 2014:

- the CBRF exchange rate changed from RR 32.7292 to RR 56.2584 per USD;
- the CBRF key rate increased from 5.5% p.a. to 17.0% p.a. including an increase from 10.5% p.a. to 17.0% p.a. on 16 December 2014;
- the RTS stock exchange index decreased from 1 443 to 791;
- access to international financial markets to raise funding was limited for certain entities; and
- capital outflows increased compared to prior years.

The financial markets continue to be volatile and are characterised by frequent significant price movements and increased trading spreads. Subsequent to 31 December 2014:

- the CBRF exchange rate fluctuated between RR 49.1777 per USD and RR 69.6640 per USD;
- Russia's credit rating was downgraded by Fitch Ratings to BBB-, whilst Standard & Poor's cut it to BB+ and Moody's Investors Service cut it to Ba1, putting it below investment grade for the first time in a decade. Fitch Ratings still have Russia as investment grade. However, all these rating agencies indicated a negative outlook, meaning further downgrades are possible;
- the RTS stock exchange index fluctuated between 720 and 1 093;
- bank lending activity decreased as banks are reassessing the business models of their borrowers and their ability to withstand the increased lending and exchange rates; and
- the CBRF key rate decreased from 17.0% p.a. to 12.5% p.a.

Ukraine. Starting in late 2013 the political situation in Ukraine has experienced instability with numerous protests against the government actions and continued political uncertainty that has led to a deterioration of the State finances, volatility of financial markets and sharp depreciation of the national currency against major foreign currencies. The ratings of Ukrainian sovereign debt were downgraded by international rating agencies with negative outlooks for the future. The NBU, among other measures, imposed certain restrictions on processing of client payments by banks and on the purchase of foreign currency on the inter-bank market.

The political situation in 2014 has also been volatile, with changes in the Ukrainian Parliament and the Presidency. In March 2014, various events in Crimea led to the accession of the Republic of Crimea to the Russian Federation. This event resulted in a significant deterioration of the relationship between Ukraine and the Russian Federation.

The political situation in Eastern Ukraine also deteriorated in 2014 resulting in armed conflict and military activity in some parts of the Donetsk and Lugansk regions. The armed conflict in the region has put further pressure on relations between Ukraine and the Russian Federation. Escalating political tensions have had an adverse effect on the Ukrainian financial markets, resulting in a hampering of ability of Ukrainian companies and banks to obtain funding from the international capital markets and loan markets. This has contributed to a significant devaluation of the Hryvnia against major foreign currencies.

2 Operating Environment of the Group (Continued)

At 31 December 2014 the official NBU exchange rate of Ukrainian Hryvnia against US dollar was 15.769 Ukrainian Hryvnias per USD 1 (31 December 2013: UAH 7.993 per USD 1). In prior periods the entities and individuals could exchange their national currency into US dollars at the rate close to the NBU rate. Starting from the second half 2014, the declared NBU exchange rate frequently differed from the relatively volatile commercial rate. The declared NBU exchange rate was used by the Group for translating the financial information of ABH Ukraine as the best observable existing rate. Inflation for 2014 was 24.9% p.a. and a GDP reduction – 7.5% p.a.

In 2015 the negative trends of 2014 continued due to destruction of industrial enterprises and infrastructure in the Eastern Ukraine as a result of military actions, decrease in external demand, in particular, due to deterioration of trade relationships with the Russian Federation, deterioration of consumer and investment internal demand. After the reporting date, Ukrainian Hryvnia significantly depreciated against major foreign currencies, in particular, exchange rate UAH/USD increased to UAH 21.0413 per USD 1 as at 28 May 2015 compared to UAH 15.7686 per USD 1 as at 31 December 2014. The NBU discount rate was increased from 14% p.a. to 19.5% p.a. from 6 February 2015 and further increased to 30% p.a. from 4 March 2015. In March 2015, inflation accelerated to 45.8% p.a. in annual terms as a result of devaluation of the national currency and high inflationary and devaluation expectations. Internal migration and economic downturn lead to narrowing of labour market and growing unemployment, which, in turn, resulted in decrease in real wages of population. All these factors had further negative impact on the Ukrainian banking system and as a result, in 2015 the NBU assigned a number of banks to the insolvent category.

In accordance with the Memorandum On Economic and Financial Policy which was signed between the IMF and the Government of Ukraine on 11 March 2015 the diagnostic study of top 10 banks (which also include Alfa-Bank Ukraine) is to be performed by the National Bank of Ukraine with the involvement of the independent observers from the IMF and the World Bank. The diagnostic study of Alfa-Bank Ukraine was started in mid-April 2015. As a result of the diagnostic study which is currently in progress it is expected that increase of share capital will be required from Alfa Bank Ukraine.

Republic of Kazakhstan. The economy of the Republic of Kazakhstan displays some characteristics inherent to emerging markets. These characteristics include, but are not limited to, the existence of a currency that is not freely convertible outside of the country, a low level of liquidity in the public and private debt and equity markets and lack of market conformity and transparency. The economy is especially sensitive to fluctuation in prices of mineral resources, particularly, of oil and gas. The tax, currency and customs legislation of the Republic of Kazakhstan continue to develop and are subject to varying interpretations.

The Kazakhstan economy is highly connected with economy of the Russian Federation. The negative impact on the Russian economy, due to recent political and economic turmoil witnessed in the region, in particular the developments in Ukraine, including current and future international sanctions against Russian companies may have a significant impact on the economy of Kazakhstan, the effect of which is difficult to predict.

The remaining uncertainty and volatility of the financial markets and other risks could have negative impact on the Kazakhstan financial and corporate sector. The future economic and regulatory situation may differ from management's expectations. These prospects for future economic stability in Kazakhstan in 2015-2016 are largely dependent upon the effectiveness of a range of measures undertaken by the Government. There remains the possibility of unpredictable changes in the financial and economic environment that may have an adverse effect on the Group's operations.

On 11 February 2014 National Bank of Republic of Kazakhstan stopped supporting the Tenge exchange rate and decreased currency interventions. As a result, the exchange rate depreciated to 185 Tenge for 1 USD or approximately 19%.

Since mid-2014, world oil prices have fallen by more than fifty percent which has greatly affected the growth prospects of the oil-dependent economy of Kazakhstan. On 9 February 2015 Standard and Poor's has downgraded the country's foreign and local currency sovereign credit ratings from "BBB+" to "BBB" with a negative outlook.

2 Operating Environment of the Group (Continued)

Republic of Belarus. The Republic of Belarus displays certain characteristics of an emerging market.

At the end of December 2014 the situation on currency exchange market of the Republic of Belarus was unstable. As at 19 December 2014, the National Bank of Belarus prohibited banks from all direct foreign currency transactions with exception of sale and purchase of foreign currency with individuals. All legal entities were allowed to sell or purchase foreign currency through the Belarusian Currency and Stock Exchange only.

As at 20 December 2014 the National Bank of Belarus has introduced a 30% tax on purchases of foreign currency at the Belarusian Currency and Stock Exchange. Starting from 29 December the National Bank of Belarus reduces the tax to 20% simultaneously devaluing the Belarusian Rouble against foreign currencies. In January 2015 the tax on purchases of foreign currency was abolished. Total devaluation of the Belarusian Rouble compared to US dollar and Euro was 24.47% and 9.5% for the year 2014, respectively.

3 Summary of Significant Accounting Policies

Basis of preparation. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value, and by the revaluation of: available for sale financial assets, financial instruments categorised as at fair value through profit or loss, investment property, premises and land and derivative contracts. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated (Note 5).

The Company and the subsidiaries of the Group maintain their accounting records in accordance with accounting regulations or applicable companies' law in their respective jurisdictions. These consolidated financial statements have been prepared from those accounting records and adjusted as necessary in order to be in accordance with IFRS.

Statement of compliance. The consolidated financial statements have been prepared in accordance with IFRS which, for the operations conducted and the accounting principles adopted by the Group, are also in compliance with IFRS as adopted by the European Union.

Functional currencies. Different entities within the Group may have different functional currencies, based on the underlying economic conditions of their operations. The Company has US Dollars as its functional currency, as its operations are managed in US Dollars and its assets and liabilities are mostly concentrated in US Dollars. The US Dollar is used to a significant extent in, and has a significant impact on the operations of the Company, and the Company's cash flows are primarily denominated in US Dollars. Alfa-Bank Russia has Russian Roubles as its functional currency, as its activities are mostly based in the Russian Federation and are dependent on the condition of the Russian economy. Alfa-Bank Ukraine has Ukrainian Hryvnias as its functional currency, Alfa-Bank Kazakhstan has Kazakh Tenge as its functional currency, Alfa-Bank Belarus has Belarusian Roubles as its functional currency and ATB has Euro as its functional currency, as their activities are mostly based in the Ukraine, Kazakhstan, Belarus and Euro zone respectively.

Consolidated financial statements. Subsidiaries are those investees, including structured entities, that the Group controls because the Group (i) has power to direct relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of investor's returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than majority of voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of investee's activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee. Subsidiaries are consolidated from the date on which control is transferred to the Group, and are deconsolidated from the date on which control ceases.

3 Summary of Significant Accounting Policies (Continued)

The acquisition method of accounting is used to account for the acquisition of subsidiaries other than those acquired from parties under common control. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

The Group measures non-controlling interest that represents present ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation on a transaction by transaction basis, either at: (a) fair value, or (b) the non-controlling interest's proportionate share of net assets of the acquiree. Non-controlling interests that are not present ownership interests are measured at fair value.

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount ("gain on bargain purchase") is recognised in profit or loss, after management reassesses whether it identified all the assets acquired and all liabilities and contingent liabilities assumed, and reviews appropriateness of their measurement.

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including fair value of assets or liabilities from contingent consideration arrangements, but excludes acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt are deducted from its carrying amount and all other transaction costs associated with the acquisition are expensed.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Company and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

Non-controlling interest is that part of the net results and of the equity of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Company. Non-controlling interest forms a separate component of the Group's equity.

Associates. Associates are entities over which the Group has significant influence (directly or indirectly), but not control, generally accompanying a shareholding of between 20 and 50 per cent of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The carrying amount of associates includes goodwill identified on acquisition less accumulated impairment losses, if any. Dividends received from associates reduce the carrying value of the investment in associates. Other post-acquisition changes in Group's share of net assets of an associate are recognised as follows: (i) the Group's share of profits or losses of associates is recorded in the consolidated profit or loss for the year as share of result of associates, (ii) the Group's share of other comprehensive income is recognised in other comprehensive income and presented separately, (iii) all other changes in the Group's share of the carrying value of net assets of associates are recognised in profit or loss within the share of result of associates. However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Disposals of subsidiaries, associates or joint ventures. When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are recycled to profit or loss.

3 Summary of Significant Accounting Policies (Continued)

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

Foreign currency translation. Monetary assets and liabilities are translated into each entity's functional currency at the official exchange rates at the end of the respective reporting period. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into each entity's functional currency at period-end exchange rates are recognised in profit or loss for the year. Translation at year-end rates does not apply to non-monetary items that are measured at historical cost.

Non-monetary items measured at fair value in a foreign currency, including equity investments, are translated using the exchange rates at the date when the fair value was determined. Effects of exchange rate changes on non-monetary items measured at fair value in a foreign currency are recorded as part of the fair value gain or loss.

Loans between group entities and related foreign exchange gains or losses are eliminated upon consolidation. However, where the loan is between group entities that have different functional currencies, the foreign exchange gain or loss cannot be eliminated in full and is recognized in the consolidated profit or loss, unless the loan is not expected to be settled in the foreseeable future and thus forms part of the net investment in foreign operation. In such a case, the foreign exchange gain or loss is recognized in other comprehensive income.

The results and financial position of each Group entity are translated into US Dollar as presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the respective reporting period;

(ii) income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions);

(iii) components of equity are translated at the historic rate; and

(iv) all resulting exchange differences are recognised in other comprehensive income.

When control over a foreign operation is lost, the previously recognised exchange differences on translation to a different presentation currency are reclassified from other comprehensive income to profit or loss for the year as part of the gain or loss on disposal. On partial disposal of a subsidiary without loss of control, the related portion of accumulated currency translation differences is reclassified to non-controlling interest within equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

The principal rates of exchange used for translating foreign currency balances were the following:

	31 December 2014	31 December 2013
USD 1 = Russian Rouble	56.2584	32.7292
USD 1 = Ukrainian Hryvnias	15.769	7.9930
USD 1 = Euro	0.8232	0.7278
USD 1 = Tenge	182.3500	154.0600
USD 1 = Belarusian Rouble	11 850.0000	9 510.0000

Financial instruments - key measurement terms. Depending on their classification financial instruments are carried at fair value or amortised cost, as described below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

3 Summary of Significant Accounting Policies (Continued)

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price. The quoted market price which management considers is the most representative of fair value was used to measure fair value.

A portfolio of financial derivatives or other financial assets and liabilities that are not traded in an active market is measured at the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position (i.e. an asset) for a particular risk exposure or paid to transfer a net short position (i.e. a liability) for a particular risk exposure in an orderly transaction between market participants at the measurement date. This is applicable for assets carried at fair value on a recurring basis if the Group: (a) manages the group of financial assets and financial liabilities on the basis of the entity's net exposure to a particular market risk (or risks) or to the credit risk of a particular counterparty in accordance with the entity's documented risk management or investment strategy; (b) it provides information on that basis about the group of assets and liabilities to the entity's key management personnel; and (c) the market risks, including duration of the entity's exposure to a particular market risk (or risks) arising from the financial assets and financial liabilities is substantially the same. Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees, are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period. Refer to Note 39.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the consolidated statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

3 Summary of Significant Accounting Policies (Continued)

Initial recognition of financial instruments. Trading securities, derivatives and other financial instruments at fair value through profit or loss are initially recorded at fair value. All other financial instruments are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date that the Group commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial assets – reclassification. The Group may reclassify a non-derivative financial asset out of the held for trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Group may reclassify financial assets that would meet the definition of loans and receivables at initial recognition out of the held-for-trading or available-for-sale categories if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value at the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date.

Cash and cash equivalents. Cash and cash equivalents are items which can be converted into cash within a day and which are subject to an insignificant risk of changes in value. All short-term placements with other banks, beyond overnight placements, are included in due from other banks. Amounts which relate to funds that are of a restricted nature are excluded from cash and cash equivalents. Cash and cash equivalents are carried at amortised cost.

The payments or receipts presented in the consolidated statement of cash flows represent transfers of cash and cash equivalents by the Group, including amounts charged or credited to current accounts of the Group's counterparties held with the Group, such as loan interest income or principal collected by charging the customer's current account or interest payments or disbursement of loans credited to the customer's current account, which represents cash or cash equivalent from the customer's perspective.

Mandatory cash balances with central banks. Mandatory cash balances with central banks represent mandatory reserve deposits with the CBRF, the NBU and other local central banks, which are not available to finance the Group's day-to-day operations and hence are not considered as part of cash and cash equivalents for the purposes of the consolidated statement of cash flows. Mandatory cash balances with central banks are carried at amortised cost.

Trading securities. Trading securities are securities, which are either acquired for generating a profit from short-term fluctuations in price or trader's margin, or are securities included in a portfolio in which a pattern of short-term trading exists. The Group classifies securities into trading securities if it has an intention to sell them within a short period after purchase, i.e. within three months.

The Group may choose to reclassify a non-derivative trading financial asset out of the fair value through profit or loss category if the asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of fair value through profit or loss category only in rare circumstances arising from a single event that is unusual and highly unlikely to reoccur in the near term. Financial assets that would meet the definition of loans and receivables may be reclassified if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity.

3 Summary of Significant Accounting Policies (Continued)

Trading securities are carried at fair value. Interest earned on trading securities, calculated using the effective interest method, is presented in profit or loss for the year as interest income. Dividends are included in dividend income within other operating income when the Group's right to receive dividend payment is established. All other elements of the changes in the fair value and gains or losses on derecognition are recorded in profit or loss for the year as gains less losses from trading securities in the period in which they arise.

Financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss are financial assets designated irrevocably, at initial recognition, into this category.

Management designates securities into this category only if (a) such classification eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or (b) a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information on that basis is regularly provided to and reviewed by the Group's key management personnel. Recognition and measurement of this category of financial assets is consistent with the above policy for trading securities.

Due from other banks. Amounts due from other banks are recorded when the Group advances money to counterparty banks, with no intention of trading the resulting unquoted non-derivative receivable due on fixed or determinable dates. Amounts due from other banks are carried at amortised cost.

Loans and advances to customers. Loans and advances to customers are recorded when the Group advances money to purchase or originate an unquoted non-derivative receivable from a customer due on fixed or determinable dates and has no intention of trading the receivable. Loans and advances to customers are carried at amortised cost.

Purchased debt. Purchased debt represents loan portfolios, which are not quoted in an active market and purchased by the Group at prices below the nominal value of loans. Each loan portfolio consists of a several groups of homogenous loans with common characteristics. Purchased debt is recognised at fair value at the initial recognition and is subsequently measured at amortised cost using effective interest method. Fair value of purchased debt is determined as amount of consideration paid for loan portfolio, including commission paid to intermediates and advisers in connection with purchase of the receivables portfolio and net present value of deferred consideration if any.

Effective interest rate is calculated separately for each loan portfolio purchased based on cash inflows initial forecast.

The Group revises its estimates in respect of expected repayments of loans on a regular basis. The carrying amount of the purchased loan portfolios is adjusted to reflect actual and revised estimated cash flows. The Group recalculates the carrying amount by computing the present value of the estimated future cash flows at the loan portfolios original effective interest rates. The adjustment is recognised in profit or loss as income or expense.

Impairment of financial assets carried at amortised cost. The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets are impaired. Impairment losses are recognised in profit or loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

This assessment is carried out individually on financial assets that are considered individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets for collective assessment. The primary factors that the Group considers whether a financial asset is impaired are its overdue status and realisability of related collateral, if any. The following other principal criteria are also used to determine that there is objective evidence that an impairment loss has occurred:

3 Summary of Significant Accounting Policies (Continued)

- delinquency in contractual payments of principal and interest except delay caused by the settlement systems;
- breach of loan covenants or conditions;
- the borrower experiences significant financial difficulty as evidenced by the borrower's financial information that Management obtains;
- initiation of bankruptcy proceedings or a financial reorganisation;
- there is an adverse change in the payment status of the borrower as a result of changes in the national or local economic conditions that impact the borrower;
- the value of collateral significantly decreases as a result of deteriorating market conditions;
- there are significant changes in the borrower's management structure which is likely to cause late payment or no payment;
- third party actions: legal and/or tax claims against the borrower (guarantor, underwriter), arrest or seizure of the borrower's (guarantor's, underwriter's) property including property pledged with the Group;
- any encumbrance of the borrower's property (pledge, rent, trust management etc.) without the Group's written approval, where required;
- damage or loss of collateral obtained;
- disablement or death of the borrower (guarantor, underwriter) or business owner (more than 50% of share capital);
- change of the borrower's (guarantor's, underwriter's) place of residence and/or place of work without written notice sent to the Group;
- there is reliable information that the borrower (guarantor, underwriter) or business owner (more than 50% of share capital) is missing or has been abroad for more than 1 year;
- the borrower (guarantor, underwriter) or business owner (more than 50% of share capital) is imprisoned or arrested;
- termination or change of the borrower's commercial activity.

The estimated period between a loss occurring and its identification is determined by Management for each identified portfolio, based on analysis of historical data. For the purposes of a collective impairment assessment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtor's ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets and experience of Management in respect of the extent to which amounts will become overdue as a result of past loss events and success of recovery of overdue amounts. Past experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect past periods and to remove the effects of past conditions that do not exist currently.

If the terms of an impaired financial asset held at amortised cost are renegotiated or otherwise modified because of financial difficulties of the borrower or issuer, impairment is measured using the original effective interest rate before the modification of terms. The renegotiated asset is then derecognised and a new asset is recognised at its fair value only if the risks and rewards of the asset substantially changed. This is normally evidenced by a substantial difference between the present value of the original cash flows and the new expected cash flows.

3 Summary of Significant Accounting Policies (Continued)

Impairment losses are recognised through an allowance account to write down the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the effective interest rate of the asset. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account through profit or loss for the year.

Uncollectible assets including accrued interest are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. Necessary procedures to recover the asset include: (i) sending a notification on the repayment of debt to the borrower and the surety, (ii) negotiations with the borrower's management and owners, (iii) analysing liquidity of the borrower's assets, which can be foreclosed to settle the debt, (iv) review condition of the pledged property, (v) submitting legal claims through the courts, and (vi) sale of foreclosed property.

Subsequent recoveries of amounts previously written off are credited to the provision for loan impairment in profit or loss for the year.

Repossessed collateral. Repossessed collateral represents financial and non-financial assets acquired by the Group in settlement of overdue loans. These assets are initially recognised at fair value when acquired and included in premises and equipment and other financial assets depending on their nature and the Group's intention in respect of recovery of these assets and are subsequently remeasured and accounted for in accordance with the accounting policies for these asset categories.

Where repossessed collateral results in acquiring control over a business, the business combination is accounted for using the acquisition method of accounting with fair value of the settled loan representing the cost of acquisition (refer to the accounting policy for consolidation). Accounting policy for associates is applied to repossessed shares where the Group obtains significant influence but not control. Cost of the investment in associate is the fair value of the loan settled by taking possession of the pledged shares.

Credit related commitments. In the normal course of business, the Group enters into credit related commitments, including letters of credit and financial guarantees. Financial guarantees represent irrevocable assurances to make payments in the event that a customer does not meet its obligations to third parties and carry the same credit risk as loans. Credit related commitments are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the commitment, except for commitments to originate loans if it is probable that the Group will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination; such loan commitment fees are deferred and included in the carrying value of the loan on initial recognition. At the end of each reporting period, the commitments are measured at the higher of (i) the unamortised balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the commitment at the end of each reporting period. The principal criteria used to determine that there is objective evidence that expenditure to settle the commitment is required are the same to those principal criteria used to determine that there is objective evidence that an impairment loss has occurred for financial assets carried at amortised cost.

Performance guarantees. Performance guarantees are contracts that provide compensation if another party fails to perform a contractual obligation. Such contracts transfer non-financial performance risk in addition to credit risk. Performance guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the contract. At the end of each reporting period, the performance guarantee contracts are measured at the higher of (i) the unamortised balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the contract at the end of each reporting period, discounted to present value. Where the Group has the contractual right to revert to its customer for recovering amounts paid to settle the performance guarantee contracts, such amounts will be recognised as loans and receivables upon transfer of the loss compensation to the guarantee's beneficiary.

3 Summary of Significant Accounting Policies (Continued)

Investments available for sale. This classification includes investments which the Group intends to hold for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or market prices. The Group classifies investments as available for sale at the time of purchase.

Investments available for sale are carried at fair value. Interest income on available for sale debt securities is calculated using the effective interest method and recognised in profit or loss for the year. Dividends on available for sale equity instruments are recognised in profit or loss for the year when the Group's right to receive payment is established and it is probable that the dividends will be collected. All other elements of changes in the fair value are recognised in other comprehensive income until the investment is derecognised or impaired, at which time the cumulative gain or loss is removed from other comprehensive income to profit or loss for the year.

Impairment losses are recognised in profit or loss when incurred as a result of one or more events that occurred after the initial recognition. A significant or prolonged decline in the fair value of an equity security below its cost is an indicator that it is impaired. The cumulative impairment loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in profit or loss) is reclassified from other comprehensive income to profit or loss for the year.

Investments designated at fair value through profit or loss at inception. Investments at fair value through profit or loss are securities designated irrevocably, at initial recognition, into this category only if (a) such classification eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or (b) a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information on that basis is regularly provided to and reviewed by the Management.

Impairment losses on equity instruments are not reversed and subsequent gains are recognised in other comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss for the year.

Investments classified as loans and receivables. Debt investment securities are classified by the Group into "loans and receivables" measurement category if there is no active market for such securities and the Group does not intend to sell them immediately or in the nearest term.

Such investment securities are accounted at amortised costs similarly to loans and advances to customers and disclosed within "Loans and advances to customers" line in consolidated statement of financial position.

Debt investment securities held to maturity. This classification includes quoted non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has both the intention and ability to hold to maturity. Management determines the classification of investment securities held to maturity at their initial recognition and reassesses the appropriateness of that classification at the end of each reporting period. Investment securities held to maturity are carried at amortised cost.

Sale and repurchase agreements and lending of securities. Sale and repurchase agreements ("repo agreements"), which effectively provide a lender's return to the counterparty, are treated as secured financing transactions. Securities sold under sale and repurchase agreements are not derecognised. The securities are not reclassified in the consolidated statement of financial position unless the transferee has the right by contract or custom to sell or repledge the securities, in which case they are reclassified as repurchase receivables. The corresponding liability is presented within amounts due to other banks or customer accounts depending on counterparty. Securities purchased under agreements to resell ("reverse repo agreements") are recorded as due from other banks or loans and advances to customers as appropriate. The difference between the sale and repurchase price is treated as interest income and accrued over the life of repo agreements using the effective interest method.

3 Summary of Significant Accounting Policies (Continued)

Securities lent to counterparties for a fixed fee are retained in the consolidated financial statements in their original category in the consolidated statement of financial position unless the counterparty has the right by contract or custom to sell or repledge the securities, in which case they are reclassified and presented separately. Securities borrowed for a fixed fee are not recorded in the consolidated financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded within gains less losses arising from trading securities in profit or loss for the year. The obligation to return them is recorded at fair value as a trading liability.

Investment property. Investment property is property held by the Group to earn rental income or for capital appreciation, or both and which is not occupied by the Group.

Investment property is initially recognised at cost, including transaction costs, and subsequently remeasured at fair value updated to reflect market conditions at the end of the reporting period. Fair value of investment property is the price that would be received from sale of the asset in an ordinary transaction, without deduction of any transaction costs. Fair value of the Group's investment property is determined based on reports of independent appraisers, who hold a recognised and relevant professional qualification and who have recent experience in valuation of property of similar location and category.

Earned rental income is recorded in profit or loss for the year within other operating income. Gains and losses resulting from changes in the fair value of investment property are recorded in profit or loss for the year and presented separately.

Derecognition of financial assets. The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose restrictions on the sale.

Derecognition of financial liability. A financial liability is derecognised when the obligation is discharged, cancelled, or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated statement of profit or loss and other comprehensive income.

Land, premises and equipment. Leasehold improvements and equipment are stated at cost less accumulated depreciation and provision for impairment, where required.

Land and buildings of the Group are subject to revaluation on a regular basis. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Increases in the carrying amount arising on revaluation are credited to other comprehensive income and increase the revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised in other comprehensive income and decrease the previously recognised revaluation surplus in equity; all other decreases are charged to profit or loss for the year. The revaluation reserve for premises included in equity is transferred directly to retained earnings when the surplus is realised (i.e. as the asset is used by the Group). The amount of the surplus realised is the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost.

Premises and equipment of acquired subsidiaries are initially recorded in the consolidated statement of financial position at their estimated fair value at the date of acquisition of the acquired subsidiary, being their cost to the Group.

Costs of minor repairs and maintenance are expensed when incurred. Cost of replacing major parts or components of premises, leasehold improvements and equipment items are capitalised and the replaced part is retired.

3 Summary of Significant Accounting Policies (Continued)

Construction in progress is carried at cost less provision for impairment where required. Upon completion, assets are transferred to premises and equipment at their carrying value. Construction in progress is not depreciated until the asset is available for use.

At each reporting date the Group assesses whether there is any indication of impairment of land, premises and equipment. If any such indication exists, the Group estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell or its value in use. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount and the difference is charged to profit or loss for the year, unless it has previously been revalued, in which case the revaluation surplus is eliminated first and any additional loss is charged in profit or loss for the year. An impairment loss recorded for an asset in prior periods is reversed if there has been a change in the estimates used to determine the asset's recoverable amount.

Gains and losses on disposal of premises and equipment are determined by comparing their carrying amount with the sale proceeds and are recognised in profit or loss for the year.

Depreciation. Land and construction in progress are not depreciated. Depreciation on other items of premises, leasehold improvements and equipment is applied on a straight-line basis over the estimated useful lives of the assets using the following rates:

Premises	2 - 4% per annum;
Office equipment	10% - 25% per annum;
Computer equipment	10% - 50% per annum;
Leasehold improvements	over the term of the underlying lease;
Machinery	10% - 25% per annum.

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Goodwill. Goodwill is carried at cost less accumulated impairment losses, if any. The Group tests goodwill for impairment at least annually and whenever there are indications that goodwill may be impaired. Goodwill is allocated to the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the business combination. Such units or group of units represent the lowest level at which the Group monitors goodwill and are not larger than an operating segment. Gains or losses on disposal of an operation within a cash generating unit to which goodwill has been allocated include the carrying amount of goodwill associated with the operation disposed of, generally measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit which is retained.

Customer relationship. Customer relationship includes relationships with the corporate and individual customers which kept current accounts with the bank at the time of the business combination. Customer relationship is amortised on a diminishing balance basis reflecting the pattern in which the asset's future economic benefits are expected to be consumed.

Computer software. Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs associated with maintaining computer software programmes are recorded as an expense as incurred. Development costs that are directly associated with identifiable and unique software products controlled by the Group which will probably generate economic benefits exceeding costs beyond one year are recorded as intangible assets.

Expenditure which enhances or extends the performance of computer software programmes beyond their original specifications is recorded as a capital improvement and added to the original cost of the software.

Computer software is amortised using the straight-line method over their useful lives, not exceeding a period of fifteen years.

3 Summary of Significant Accounting Policies (Continued)

Operating leases. Where the Group is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group, the total lease payments are charged to profit or loss on a straight-line basis over the period of the lease.

When assets are leased out under an operating lease, the lease payments receivable are recognised as rental income on a straight-line basis over the lease term.

Finance leases. Where the Group is a lessor in a lease which transfers substantially all the risks and rewards incidental to ownership to the lessee, the assets leased out are presented as a finance lease receivable and carried at the present value of the gross investment in the lease. Finance lease receivables are initially recognised at commencement (when the lease term begins) using a discount rate determined at inception (the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease).

The difference between the gross receivable and the present value represents unearned finance income. This income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return. Incremental costs directly attributable to negotiating and arranging the lease are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term. Finance income from leases is recorded within interest income in profit or loss for the year. Impairment losses are recognised in profit or loss for the year when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of finance lease receivables. The Group uses the same principal criteria to determine whether there is objective evidence that an impairment loss has occurred as for loans carried at amortised cost. Impairment losses are recognised through an allowance account to write down the receivables' net carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the interest rates implicit in the finance leases. The estimated future cash flows reflect the cash flows that may result from obtaining and selling the assets subject to the lease.

Due to other banks. Amounts due to other banks are recorded when money or other assets are advanced to the Group by counterparty banks. The non-derivative liability is carried at amortised cost.

Customer accounts. Customer accounts are non-derivative liabilities to individuals, state or corporate customers and are carried at amortised cost.

Debt securities issued. Debt securities issued include promissory notes, bonds, commercial paper and term notes. Promissory notes issued by the Group have a fixed date of repayment. These may be issued against cash deposits or as a payment instrument, which the purchaser can discount in the over-the-counter secondary market. Debt securities are stated at amortised cost.

If the Group purchases its own debt securities issued, they are removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is recorded in profit or loss for the year as gains less losses arising from acquisition of own debts.

Syndicated loans. Syndicated loans are loans in which a group of financial institutions provides funds to the Group. Syndicated loans are carried at amortised cost.

Subordinated debt. Subordinated debt ranks behind all other creditors in case of liquidation. Subordinated debt is carried at amortised cost. Acquired own subordinated debt is removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is recorded in profit or loss for the year as gains less losses arising from acquisition of own debts.

Government grants. Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

3 Summary of Significant Accounting Policies (Continued)

Government grants relating to the loans provided by the State at rates below market are recorded as deferred income and are credited to interest expense for the year using a method achieving matching with respective expenses or losses. Such government grants are initially measured as the difference between the proceeds and the initial fair value of the loan, net of transaction costs.

Share capital. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

Dividends. Dividends are recorded in equity in the period in which they are declared. Dividends that are declared after the end of the reporting period are disclosed as subsequent events.

Derivative financial instruments and hedge accounting. Derivative financial instruments including foreign exchange contracts, currency and interest rate swaps and other derivative financial instruments are carried at their fair value.

Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing models, as appropriate. All derivative instruments are carried as assets when fair value is positive, and as liabilities when fair value is negative. Changes in the fair value of derivative financial instruments are included in profit or loss for the year in gains less losses arising from foreign currencies and precious metals, gains less losses arising from trading securities and other operating income, depending on the related contracts, unless the derivatives qualify as hedging instruments.

Prior to 1 July 2014 the Group applied hedge accounting for its existing hedge by foreign currency exchange forward contracts of part of the Group's net investment in subsidiaries of the Group that have Russian Rouble as a functional currency. On 1 July 2014 such hedge accounting was discontinued.

Also the Group applies hedge accounting for its existing hedge of interest payments on borrowings and loans and advances to customers using interest rate swaps. The Group receives floating rate and pays a fixed rate on the interest rate swaps. Credit risk on the loans and advances to customers is not designated as part of the hedge relationship.

The Group documents, at the inception of the transaction, the relationship between the hedged items and hedging instruments, as well as its risk management objective and strategy for undertaking the hedge. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting the exposures to the hedged risks.

The hedge effectiveness of part of Russian Rouble net investment in subsidiaries of the Group is measured by reference to changes in RR/USD spot rates. Only the change in the fair value of the foreign currency exchange forward contracts due to changes in spot rates is reported in other comprehensive income and the remaining change in the fair value of those contracts is included in profit or loss. Accumulated hedging gains or losses recorded through other comprehensive income are recycled from other comprehensive income to profit or loss in the period when the hedged item is disposed of.

For the fair value hedge of interest rates on borrowings and loans and advances to customers the hedged item is adjusted for the changes in its fair value attributable to the risk being hedged and those fair value changes are recognised in profit or loss. The gain or loss relating to the hedging derivative is offset, in profit or loss for the year, with the fair value gains and losses on the hedged item to the extent that the hedge is effective. The ineffective portion of the fair value changes is recognised immediately in the profit or loss for the year. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item, for which the effective interest method is used, is amortised to profit or loss over the period to maturity and recorded as net interest income.

In order to assess hedge effectiveness the Group regularly performs two kinds of effectiveness tests: prospective effectiveness test (a forward-looking test of whether a hedging relationship is expected to be highly effective in future periods); and retrospective effectiveness test (a backward-looking test of whether a hedging relationship has actually been highly effective in a past period).

3 Summary of Significant Accounting Policies (Continued)

A hedge is regarded as highly effective only if both of the following conditions are met:

- At the inception of the hedge and in subsequent periods, the hedge is expected to be highly effective in achieving offsetting changes in present values of cash flows attributable to the hedged risk during the period, for which the hedge is designated – prospective effectiveness test, range of 80%-125% is used; and
- The actual results of the hedge – retrospective effectiveness test; range of 80%-125% is used.

Income taxes. Income taxes have been provided for in the consolidated financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if the consolidated financial statements are authorised prior to filing relevant tax returns. Taxes, other than on income, are recorded within operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Taxation rates enacted or substantively enacted at the end of the reporting period which are expected to apply when the temporary difference reverses are used to determine deferred income tax balances. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax liabilities are not recorded for temporary differences on initial recognition of goodwill and subsequently for goodwill which is not deductible for tax purposes. Deferred tax assets and liabilities are netted only within the individual companies of the Group. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Deferred income tax is provided on post-acquisition retained earnings and other post acquisition movements in reserves of subsidiaries, except where the Group controls the subsidiary's dividend policy and it is probable that the difference will not reverse through dividends or otherwise in the foreseeable future.

Uncertain tax positions. The Group's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

Income and expense recognition. Interest income and expense are recorded in profit or loss for the year for all debt instruments on an accrual basis using the effective interest method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents. Commitment fees received by the Group to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Group will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. The Group does not designate loan commitments as financial liabilities at fair value through profit or loss.

3 Summary of Significant Accounting Policies (Continued)

Insurance agency commissions represent commissions earned by the Group on the effective commencement dates of the related insurance policies. The purchase of insurance policy by clients is not a precondition of loan origination, does not affect terms of the loan, and, therefore, insurance agency commissions are not part of the loan effective interest rate and are accounted for as commission income.

When loans and other debt instruments become doubtful of collection, they are written down to the present value of expected cash inflows and interest income is thereafter recorded for the unwinding of the present value discount based on the asset's effective interest rate which was used to measure the impairment loss.

All other fees, commissions and other income and expense items are generally recorded on an accrual basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. Loan syndication fees are recognised as income when the syndication has been completed and the Group retained no part of the loan package for itself or retained a part at the same effective interest rate as the other participants.

Commissions and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, which are earned on execution of the underlying transaction are recorded on its completion. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-proportion basis. Asset management fees related to investment funds are recorded over the period the service is provided. The same principle is applied for wealth management, financial planning and custody services that are continuously provided over an extended period of time.

Fiduciary assets. The Group commonly acts as trustee and in other fiduciary capacities that result in the holding of assets on behalf of individuals and institutions. These assets and liabilities arising thereon are excluded from the consolidated financial statements, as they are not assets and liabilities of the Group. For the purposes of disclosure fiduciary activities do not encompass safe custody function. Commissions received from fiduciary activities are shown in fee and commission income.

Offsetting financial instruments. Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) the event of default and (iii) the event of insolvency or bankruptcy.

Provisions for liabilities and charges. Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount which are accrued when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Staff costs and related contributions. Wages, salaries, contributions to state pension and social insurance funds of the Russian Federation, Ukraine, Belarus, Kazakhstan, Cyprus and the Netherlands, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in accordance with the existing employee compensation plans in a year in which the associated services are rendered by the employees. The Group has no legal or constructive obligation to make pension or similar benefit payments beyond the payments to the state defined contribution schemes. Discretionary employee compensations are subject to Management's approval and are disclosed within staff costs.

Inflation accounting. The Belarusian economy is considered hyperinflationary from 2011. As such, ABH Belarus applied IAS 29 "Financial Reporting in Hyperinflationary Economies". This standard requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the reporting date by applying the relevant inflation indices to the historical cost. Since these consolidated financial statements are presented in USD, comparative amounts in these consolidated financial statements related to ABH Belarus are those that were presented as current year amounts in the prior year consolidated financial statements (i.e. not adjusted for subsequent changes in the price level or exchange rates).

3 Summary of Significant Accounting Policies (Continued)

Segment reporting. Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker. Segments whose revenue, result or assets are ten per cent or more of all segments are reported separately.

Presentation of consolidated statement of financial position in order of liquidity. The Group does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in the consolidated statement of financial position. Instead, analysis of financial assets and liabilities by their expected maturities is presented in Note 31.

Amendments of the consolidated financial statements after issue. The Group's shareholders and management have the power to amend the consolidated financial statements after issue.

4 Critical Accounting Estimates and Judgments in Applying Accounting Policies

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on Management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in these consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Impairment of loans and advances. The Group regularly reviews its loan portfolios to assess impairment. In determining whether an impairment loss should be recorded in profit or loss for the year, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. A 10% increase or decrease between actual loss experience and the loss estimates used will result in an additional or lower charge for loan loss impairment of USD 224 million (2013: USD 186 million), respectively.

Fair value of not quoted financial instruments. The fair values of financial instruments that are not quoted in active markets are determined using valuation techniques. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require the Management to make estimates. Changes in assumptions about these factors could affect reported fair values. Refer to Note 39.

Exposure to Ukrainian assets. The Group has a significant exposure to Ukrainian assets (Notes 30 and 31). Continuing instability in Ukraine (Note 2) has a significant negative impact on the valuation of these assets. The Group determined valuation of these assets based on circumstances and events as at 31 December 2014. Further negative developments in the circumstances and events after 31 December 2014 might have further negative impact on the valuation of these assets.

4 Critical Accounting Estimates and Judgments in Applying Accounting Policies (Continued)

Income taxes. There are many transactions and calculations in the ordinary course of business for which the ultimate tax determination is uncertain (Note 33). The Group records liabilities for completed and anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences impact the current and deferred taxation in the period, in which such determination is made.

Management applies its judgement in interpretation of existing tax legislation for the purposes of assessment of current and deferred taxation. Also, Management uses judgement to assess the realisability of deferred tax assets, which is subject to availability of profits and other circumstances, including the ability to claim full deduction of the expenses incurred in relation to the underlying assets and liabilities. Management reassesses current and deferred tax balances at the end of each reporting period and adjusts them accordingly. Refer to Note 29.

Functional currencies of different entities of the Group. Different entities within the Group have different functional currencies, based on the currency of the underlying economic environment of their operations. This determination of what the specific underlying economic environments are requires judgement. In making this judgement, the Group evaluates among other factors, the location of activities, the sources of revenue, risks associated with activities and denomination of currencies of operations of different entities.

Specifically, in determination of the functional currencies of ABH Financial Limited, Alfa Capital Holdings (Cyprus) Limited and certain other subsidiaries, involved mainly in investment business, the Group based its judgement on the fact that the companies operate internationally on markets mainly influenced by the US Dollar and their major activities include provision of services to international investors. Moreover, the majority of their operations are denominated in US Dollars and also, the US Dollar is the currency in which their business risks and exposures are managed and the performance of their business is measured.

Initial recognition of related party transactions. In the normal course of business the Group enters into transactions with its related parties. IAS 39 requires initial recognition of financial instruments based on their fair values. Judgement is applied in determining if transactions are priced at market or non-market rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analysis. Terms and conditions of related parties' balances are described in Note 40.

Accounting for subordinated loans from VEB. Refer to Note 20.

5 Adoption of New or Revised Standards and Interpretations

The following new standards and interpretations became effective for the Group from 1 January 2014:

Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014). The amendment added application guidance to IAS 32 to address inconsistencies identified in applying some of the offsetting criteria. This includes clarifying the meaning of 'currently has a legally enforceable right of set-off' and that some gross settlement systems may be considered equivalent to net settlement. The amended standard did not have any material impact on the Group's consolidated financial statements.

Investment Entities - Amendments to IFRS 10, IFRS 12 and IAS 27 (issued on 31 October 2012 and effective for annual periods beginning 1 January 2014). The amendment introduced a definition of an investment entity as an entity that (i) obtains funds from investors for the purpose of providing them with investment management services, (ii) commits to its investors that its business purpose is to invest funds solely for capital appreciation or investment income and (iii) measures and evaluates its investments on a fair value basis. An investment entity will be required to account for its subsidiaries at fair value through profit or loss, and to consolidate only those subsidiaries that provide services that are related to the entity's investment activities. IFRS 12 was amended to introduce new disclosures, including any significant judgements made in determining whether an entity is an investment entity and information about financial or other support to an unconsolidated subsidiary, whether intended or already provided to the subsidiary. The amended standards did not have any material impact on the Group's consolidated financial statements.

5 Adoption of New or Revised Standards and Interpretations (Continued)

IFRIC 21 - Levies (issued on 20 May 2013 and effective for annual periods beginning 1 January 2014). The interpretation clarifies the accounting for an obligation to pay a levy that is not income tax. The obligating event that gives rise to a liability is the event identified by the legislation that triggers the obligation to pay the levy. The fact that an entity is economically compelled to continue operating in a future period, or prepares its financial statements under the going concern assumption, does not create an obligation. The same recognition principles apply in interim and annual financial statements. The application of the interpretation to liabilities arising from emissions trading schemes is optional. The interpretation did not have any material impact on the Group's consolidated financial statements.

Recoverable Amount Disclosures for Non-financial Assets - Amendments to IAS 36 (issued on 29 May 2013 and effective for annual periods beginning 1 January 2014; earlier application is permitted if IFRS 13 is applied for the same accounting and comparative period). The amendments remove the requirement to disclose the recoverable amount when a CGU contains goodwill or indefinite lived intangible assets but there has been no impairment. The amended standard did not have any material impact on the Group's consolidated financial statements.

Novation of Derivatives and Continuation of Hedge Accounting - Amendments to IAS 39 (issued on 27 June 2013 and effective for annual periods beginning 1 January 2014). The amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated (i.e. parties have agreed to replace their original counterparty with a new one) to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met. The amended standard did not have any material impact on the Group's consolidated financial statements.

6 New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2015 or later, and which the Group has not early adopted.

IFRS 9 - Financial Instruments: Classification and Measurement (issued in July 2014 and effective for annual periods beginning on or after 1 January 2018). Key features of the new standard are:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.
- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

6 New Accounting Pronouncements (Continued)

- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a "three stage" approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.
- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

The Group is currently assessing the impact of the existing version of IFRS 9 on its consolidated financial statements.

Defined Benefit Plans: Employee Contributions - Amendments to IAS 19 (issued in November 2013 and effective for annual periods beginning 1 July 2014). The amendment allows entities to recognise employee contributions as a reduction in the service cost in the period in which the related employee service is rendered, instead of attributing the contributions to the periods of service, if the amount of the employee contributions is independent of the number of years of service. The Group does not expect the amendments to have any material effect on its consolidated financial statements.

Annual Improvements to IFRSs 2012 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014, unless otherwise stated below). The improvements consist of changes to seven standards.

IFRS 2 was amended to clarify the definition of a "vesting condition" and to define separately "performance condition" and "service condition". The amendment is effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

IFRS 3 was amended to clarify that (1) an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32, and (2) all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit or loss. Amendments to IFRS 3 are effective for business combinations where the acquisition date is on or after 1 July 2014.

IFRS 8 was amended to require (1) disclosure of the judgements made by management in aggregating operating segments, including a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics, and (2) a reconciliation of segment assets to the entity's assets when segment assets are reported.

The basis for conclusions on IFRS 13 was amended to clarify that deletion of certain paragraphs in IAS 39 upon publishing of IFRS 13 was not made with an intention to remove the ability to measure short-term receivables and payables at invoice amount where the impact of discounting is immaterial.

IAS 16 and IAS 38 were amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.

IAS 24 was amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ("the management entity"), and to require to disclose the amounts charged to the reporting entity by the management entity for services provided.

The Group is currently assessing the impact of the amendments on its consolidated financial statements.

6 New Accounting Pronouncements (Continued)

Annual Improvements to IFRSs 2013 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014). The improvements consist of changes to four standards.

The basis for conclusions on IFRS 1 is amended to clarify that, where a new version of a standard is not yet mandatory but is available for early adoption; a first-time adopter can use either the old or the new version, provided the same standard is applied in all periods presented.

IFRS 3 was amended to clarify that it does not apply to the accounting for the formation of any joint arrangement under IFRS 11. The amendment also clarifies that the scope exemption only applies in the financial statements of the joint arrangement itself.

The amendment of IFRS 13 clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including contracts to buy or sell non-financial items) that are within the scope of IAS 39 or IFRS 9.

IAS 40 was amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive. The guidance in IAS 40 assists preparers to distinguish between investment property and owner-occupied property. Preparers also need to refer to the guidance in IFRS 3 to determine whether the acquisition of an investment property is a business combination.

The Group is currently assessing the impact of the amendments on its consolidated financial statements.

IFRS 14 - Regulatory Deferral Accounts (issued in January 2014 and effective for annual periods beginning on or after 1 January 2016). IFRS 14 permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents IFRS financial statements is not eligible to apply the standard. The Group does not expect the standard to have any effect on its consolidated financial statements.

Accounting for Acquisitions of Interests in Joint Operations - Amendments to IFRS 11 (issued on 6 May 2014 and effective for the periods beginning on or after 1 January 2016). This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The Group does not expect the amendments to have any effect on its consolidated financial statements.

Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments to IAS 16 and IAS 38 (issued on 12 May 2014 and effective for the periods beginning on or after 1 January 2016). In this amendment, the IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The Group does not expect the amendments to have material effect on its consolidated financial statements.

IFRS 15 - Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2017). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. The Group does not expect the standard to have material effect on its consolidated financial statements.

Agriculture: Bearer plants - Amendments to IAS 16 and IAS 41 (issued on 30 June 2014 and effective for annual periods beginning 1 January 2016). The amendments change the financial reporting for bearer plants, such as grape vines, rubber trees and oil palms, which now should be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of IAS 16, instead of IAS 41. The produce growing on bearer plants will remain within the scope of IAS 41. The Group does not expect the amendments to have any effect on its consolidated financial statements.

6 New Accounting Pronouncements (Continued)

Equity Method in Separate Financial Statements - Amendments to IAS 27 (issued on 12 August 2014 and effective for annual periods beginning 1 January 2016). The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The Group does not expect the amendments to have any effect on its consolidated financial statements.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after 1 January 2016). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary. The Group does not expect the amendments to have any effect on its consolidated financial statements.

Annual Improvements to IFRSs 2014 (issued on 25 September 2014 and effective for annual periods beginning on or after 1 January 2016). The amendments impact four standards.

IFRS 5 was amended to clarify that change in the manner of disposal (reclassification from "held for sale" to "held for distribution" or vice versa) does not constitute a change to a plan of sale ore distribution, and does not have to be accounted for as such.

The amendment to IFRS 7 adds guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement, for the purposes of disclosures required by IFRS 7. The amendment also clarifies that the offsetting disclosures of IFRS 7 are not specifically required for all interim periods, unless required by IAS 34.

The amendment to IAS 19 clarifies that for post-employment benefit obligations, the decisions regarding discount rate, existence of deep market in high-quality corporate bonds, or which government bonds to use as a basis, should be based on the currency that the liabilities are denominated in, and not the country where they arise.

IAS 34 will require a cross reference from the interim financial statements to the location of "information disclosed elsewhere in the interim financial report".

The Group does not expect the amendments to have material effect on its consolidated financial statements.

Disclosure Initiative Amendments to IAS 1 (issued in December 2014 and effective for annual periods on or after 1 January 2016). The standard was amended to clarify the concept of materiality and explains that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, even if the IFRS contains a list of specific requirements or describes them as minimum requirements. The Standard also provides new guidance on subtotals in financial statements, in particular, such subtotals (a) should be comprised of line items made up of amounts recognised and measured in accordance with IFRS; (b) be presented and labelled in a manner that makes the line items that constitute the subtotal clear and understandable; (c) be consistent from period to period; and (d) not be displayed with more prominence than the subtotals and totals required by IFRS standards. The Group does not expect the amendments to have any effect on its consolidated financial statements.

Investment Entities: Applying the Consolidation Exception Amendment to IFRS 10, IFRS 12 and IAS 28 (issued in December 2014 and effective for annual periods on or after 1 January 2016). The standard was amended to clarify that an investment entity should measure at fair value through profit or loss all of its subsidiaries that are themselves investment entities. In addition, the exemption from preparing consolidated financial statements if the entity's ultimate or any intermediate parent produces consolidated financial statements available for public use was amended to clarify that the exemption applies regardless whether the subsidiaries are consolidated or are measured at fair value through profit or loss in accordance with IFRS 10 in such ultimate or any intermediate parent's financial statements. The Group does not expect the standard to have any effect on its consolidated financial statements.

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Group's consolidated financial statements.

7 Cash and Cash Equivalents

In millions of US Dollars	2014	2013
Cash on hand	1 757	1 200
Cash balances with central banks (other than mandatory balances)	947	1 557
Correspondent and settlement accounts and overnight placements with financial institutions:		
- CIS countries	734	2 034
- Europe and USA	1 932	1 653
- Other countries	56	15
Total cash and cash equivalents	**5 426**	**6 459**

The credit quality of balances on correspondent and settlement accounts and overnight placements with financial institutions is managed through a system of qualitative risk management procedures comprising credit risk assessment before acceptance. After establishing a correspondent account, depending on the magnitude of the balance, Management carries out regular monitoring of the financial position and performance of the counterparties. Cash and cash equivalents are not secured.

As at 31 December 2014 the ten largest aggregate balances included in correspondent and settlement accounts and overnight placements with financial institutions amounted to USD 2 288 million (2013: USD 3 341 million) or 84% (2013: 90%) of the correspondent and settlement accounts and overnight placements.

For the purposes of measurement the Group classified all balances included in cash and cash equivalents as loans and receivables. Currency, maturity and interest rate analyses of cash and cash equivalents are disclosed in Note 31.

8 Trading Securities and Repurchase Receivables

In millions of US Dollars	2014	2013
Trading securities		
Corporate Eurobonds	433	955
Corporate bonds	126	303
Russian Federation bonds and Eurobonds	80	108
Promissory notes	-	38
Municipal bonds	-	15
Total debt trading securities	**639**	**1 419**
Corporate shares	28	42
ADRs and GDRs	9	23
Total equity trading securities	**37**	**65**
Total trading securities	**676**	**1 484**
Repurchase receivables relating to trading securities		
Corporate Eurobonds	182	894
Corporate bonds	155	743
Russian Federation bonds and Eurobonds	2	222
Bonds and Eurobonds of other states	-	13
Municipal bonds	-	7
Total repurchase receivables relating to debt trading securities	**339**	**1 879**
Corporate shares	-	2
Total repurchase receivables relating to equity trading securities	**-**	**2**
Total repurchase receivables relating to trading securities	**339**	**1 881**
Total trading securities and repurchase receivables	**1 015**	**3 365**

8 Trading Securities and Repurchase Receivables (Continued)

Repurchase receivables represent securities sold under sale and repurchase agreements with other banks (Note 18). The counterparty financial institutions have a right to resell or pledge these securities.

In December 2014 the Group reclassified securities with a fair value of USD 444 million from trading securities category to investments available for sale (Note 37).

Corporate Eurobonds are interest-bearing securities denominated in US Dollars, Russian Roubles, Euro, GBP, issued mainly by large Russian, European and CIS companies and freely tradable internationally. Corporate bonds are interest-bearing securities issued by large Russian companies, denominated in Russian Roubles and US Dollars and freely tradable in the Russian Federation. Russian Federation bonds and Eurobonds are interest-bearing securities issued by Ministry of Finance of the Russian Federation, denominated in US Dollars, Euro and Russian Roubles.

The information on the maturity dates, coupon rates and yields to maturity is presented in the table below:

	2014	2013
Maturity dates		
Corporate Eurobonds	Feb. 2015 to Apr. 2044	Jan. 2014 to Apr. 2044
Corporate bonds	Feb. 2015 to Sep. 2027	Jan. 2014 to Sep. 2032
Russian Federation bonds and Eurobonds	Jun. 2015 to Sep. 2043	Mar. 2018 to Apr. 2042
Coupon rates per annum		
Corporate Eurobonds	1.0% to 14.0%	1.2%to 14.0%
Corporate bonds	7.5% to 12.8%	4.2% to 13.8%
Russian Federation bonds and Eurobonds	3.3% to 12.8%	3.6% to 12.8%
Yields to maturity per annum		
Corporate Eurobonds	4.5% to 88.0%	1.0% to 47.3%
Corporate bonds	0.3% to 46.5%	0.1% to 15.3%
Russian Federation bonds and Eurobonds	6.6% to 16.1%	3.1% to 8.0%

Analysis by credit quality of debt trading securities and repurchase receivables was as follows as at 31 December 2014:

In millions of US Dollars	Corporate Eurobonds	Corporate bonds	Russian Federation bonds and Eurobonds	Total
Neither past due nor impaired (at fair value)				
- Position hedged by derivatives	420	131	5	556
- Category I	97	114	77	288
- Category II	80	25	-	105
- Category III	18	11	-	29
Total debt trading securities and repurchase receivables	**615**	**281**	**82**	**978**

8 Trading Securities and Repurchase Receivables (Continued)

Analysis by credit quality of debt trading securities and related repurchase receivables was as follows as at 31 December 2013:

In millions of US Dollars	Corporate Euro-bonds	Corporate bonds	Russian Federation bonds and Euro-bonds	Promissory notes	Municipal bonds	Bonds and Euro-bonds of other states	Total
Neither past due nor impaired (at fair value)							
- Position hedged by derivatives	747	423	102	38	22	5	1 337
- Category I	516	528	228	-	-	8	1 280
- Category II	571	73	-	-	-	-	644
- Category III	15	22	-	-	-	-	37
Total debt trading securities and repurchase receivables	**1 849**	**1 046**	**330**	**38**	**22**	**13**	**3 298**

For detailed description of credit quality categories refer to Note 31. As at 31 December 2014 and 2013 the long balance sheet position of the Group in trading securities and repurchase receivables was partially hedged by an opposite position in derivative financial instruments for those securities (Note 38). These economic hedges significantly reduce credit risk related to respective securities.

Debt trading securities and related repurchase receivables are carried at fair value which also reflects any credit risk related write-downs. These instruments are not secured.

For the purposes of measurement the Group classified all balances included in trading securities and repurchase receivables as financial assets at fair value through profit or loss held for trading. Currency, maturity and interest rates analyses of trading securities and repurchase receivables are disclosed in Note 31. The information on securities issued by related parties and owned by the Group is disclosed in Note 40.

9 Due from Other Banks

In millions of US Dollars	2014	2013
Term placements with other banks	3 539	3 085
Reverse sale and repurchase agreements with other banks	135	276
Total due from other banks	**3 674**	**3 361**

As at 31 December 2014 reverse sale and repurchase agreements with other banks were effectively collateralised by securities purchased with estimated fair value of USD 172 million (2013: USD 294 million), all of which the Group had the right to sell or repledge.

As at 31 December 2014 the ten largest aggregate balances due from other banks amounted to USD 3 116 million (2013: USD 2 479 million) or 85% (2013: 74%) of total due from other banks.

9 Due from Other Banks (Continued)

Analysis by credit quality of amounts due from other banks outstanding as at 31 December 2014 was as follows:

In millions of US Dollars	Term placements with other banks	Reverse sale and repurchase agreements with other banks	Total
Neither past due nor impaired			
- Category I	2 612	5	2 617
- Category II	595	1	596
- Category III	332	129	461
Total due from other banks	**3 539**	**135**	**3 674**

Analysis by credit quality of amounts due from other banks outstanding as at 31 December 2013 was as follows:

In millions of US Dollars	Term placements with other banks	Reverse sale and repurchase agreements with other banks	Total
Neither past due nor impaired			
- Category I	2 155	-	2 155
- Category II	379	64	443
- Category III	551	212	763
Total due from other banks	**3 085**	**276**	**3 361**

For detailed description of credit quality categories refer to Note 31.

As at 31 December 2014 included within term placements with other banks are margin call deposits in the amount of USD 1 195 million (2013: USD 256 million) placed as collateral under transactions with derivatives and operations with securities.

For the purposes of measurement the Group classified all balances included in due from other banks as loans and receivables. Currency, maturity and interest rate analyses of due from other banks are disclosed in Note 31. The estimated fair value of due from other banks is disclosed in Note 39.

10 Loans and Advances to Customers

In millions of US Dollars	2014	2013
Corporate customers		
Corporate loans	23 215	26 777
Reverse sale and repurchase receivables	1 092	1 866
Loans to small and medium-size enterprises ("SMEs")	921	699
Finance lease receivables	851	1 248
Advances on lease operations	6	9
Total gross loans and advances to corporate customers	**26 085**	**30 599**
Provision for loan impairment	(1 837)	(1 524)
Total loans and advances to corporate customers	**24 248**	**29 075**
Individuals		
Credit cards and personal instalment loans ("PILs")	3 793	4 681
Consumer loans	1 012	1 772
Mortgage loans	276	398
Car loans	91	106
Reverse sale and repurchase receivables	16	33
Total gross loans and advances to individuals	**5 188**	**6 990**
Provision for loan impairment	(386)	(327)
Total loans and advances to individuals	**4 802**	**6 663**
Debt securities classified as loans and receivables		
Ukrainian state bonds	159	188
Corporate Eurobonds	29	29
Corporate bonds	9	53
Total gross debt securities classified as loans and receivables	**197**	**270**
Provision for loan impairment	(15)	(6)
Total debt securities classified as loans and receivables	**182**	**264**
Total loans and advances to customers	**29 232**	**36 002**

As at 31 December 2014 aggregate loans and advances to the ten largest borrowers (or groups of related borrowers) amounted to USD 6 260 million (2013: USD 5 828 million) or 20% (2013: 15%) of the gross loans and advances to customers, while aggregate loans and advances to the 20 largest borrowers (or groups of related borrowers) amounted to USD 9 157 million (2013: USD 8 824 million) or 29% (2013: 23%) of the gross loans and advances to customers.

As at 31 December 2014 loans and advances to customers in the amount of USD 3 283 million (2013: 626 million) were pledged as collateral for the financing received from the CBRF and USD 161 million (2013: USD 171 million) – for the term placements of other banks (Note 18).

10 Loans and Advances to Customers (Continued)

Economic sector risk concentrations within the loans and advances to customers were as follows:

In millions of US Dollars	2014 Amount	2014 %	2013 Amount	2013 %
Individuals	5 188	17	6 990	18
Construction and real estate	4 146	13	4 412	12
Trade and commerce	3 304	10	4 838	13
Miscellaneous machinery and metal working	2 462	8	3 147	8
Finance and investment companies	1 713	5	2 935	8
Oil industry	1 516	5	1 608	4
Diamond extraction and processing	1 400	4	865	2
Mass media and telecommunications	1 320	4	636	2
Power generation industry	1 285	4	2 044	5
Food industry	1 159	4	1 768	5
Coal industry	1 032	3	934	2
Chemical and petrochemical industry	933	3	430	1
Non-ferrous metallurgy	912	3	962	3
Railway transport	833	3	1 120	3
Ferrous metallurgy	726	2	1 740	5
Nuclear industry	607	2	89	-
Agriculture	475	2	459	1
Aviation transport	282	1	427	1
Other	2 177	7	2 455	7
Total gross loans and advances to customers	**31 470**	**100**	**37 859**	**100**

Maturities of gross and net investments in finance lease were as follows:

In millions of US Dollars	Within 1 year	Between 1 and 5 years	More than 5 years	Total
Gross finance lease receivable as at 31 December 2014	235	719	284	1 238
Less future finance income on finance leases	(89)	(271)	(27)	(387)
Net investment in finance leases as at 31 December 2014	**146**	**448**	**257**	**851**
Gross finance lease receivable as at 31 December 2013	386	936	543	1 865
Less future finance income on finance leases	(142)	(377)	(98)	(617)
Net investment in finance leases as at 31 December 2013	**244**	**559**	**445**	**1 248**

10 Loans and Advances to Customers (Continued)

Movements in the provision for impairment of loans and advances to corporate customers and debt securities classified as loans and receivables were as follows:

In millions of US Dollars	Corporate loans	Loans to SMEs	Finance lease receivables and advances on lease operations	Debt securities classified as loans and receivables	Total
Provision for loan impairment as at 1 January 2013	**1 442**	**102**	**42**	**11**	**1 597**
Provisions during the year	162	3	6	1	172
Amounts written off as uncollectible	(158)	(17)	(14)	(6)	(195)
Effects of translation to functional currency and translation to presentation currency	(41)	-	(3)	-	(44)
Provision for loan impairment as at 31 December 2013	**1 405**	**88**	**31**	**6**	**1 530**
Provisions during the year	844	47	14	13	918
Amounts written off as uncollectible	(69)	(10)	-	(3)	(82)
Effects of translation to functional currency and translation to presentation currency	(496)	(14)	(3)	(1)	(514)
Provision for loan impairment as at 31 December 2014	**1 684**	**111**	**42**	**15**	**1 852**

Movements in the provision for impairment of loans to individuals were as follows:

In millions of US Dollars	Credit cards and PILs	Consumer loans	Mortgage loans	Car loans	Total
Provision for loan impairment as at 1 January 2013	**89**	**69**	**13**	**9**	**180**
Provisions during the year	281	195	7	5	488
Amounts written off as uncollectible	(149)	(157)	(8)	(10)	(324)
Effects of translation to functional currency and translation to presentation currency	(7)	(10)	-	-	(17)
Provision for loan impairment as at 31 December 2013	**214**	**97**	**12**	**4**	**327**
Provisions during the year	657	153	23	17	850
Amounts written off as uncollectible	(340)	(112)	(10)	(11)	(473)
Effects of translation to functional currency and translation to presentation currency	(254)	(60)	(4)	-	(318)
Provision for loan impairment as at 31 December 2014	**277**	**78**	**21**	**10**	**386**

10 Loans and Advances to Customers (Continued)

The provision for loan impairment during 2014 differs from the amount presented in profit or loss for the year due to USD 62 million (including USD 42 million relating to loans and advances to individuals) recovery of amounts previously written off as uncollectible (2013: USD 36 million (including USD 28 million relating to loans and advances to individuals)). This amount was credited directly to the provisions line in profit or loss for the year.

Analysis by credit quality of loans to corporate customers and debt securities classified as loans and receivables outstanding as at 31 December 2014 was as follows:

In millions of US Dollars	Corporate loans	Reverse sale and repurchase receivables	Loans to SMEs	Finance lease receivables and advances on lease operations	Debt securities classified as loans and receivables	Total
Neither past due nor impaired						
- A and A-	4 836	22	56	41	-	4 955
- B and B-	7 724	1 070	182	72	-	9 048
- C and C-	6 507	-	399	194	-	7 100
- D	1 189	-	44	434	163	1 830
- Unrated	63	-	86	-	-	149
Total gross neither past due nor impaired	**20 319**	**1 092**	**767**	**741**	**163**	**23 082**
Past due but not impaired						
- less than 14 days overdue	-	-	1	-	-	1
- 14 to 90 days overdue	1	-	2	-	-	3
- 91 to 180 days overdue	101	-	-	-	-	101
- 181 to 360 days overdue	53	-	1	-	-	54
- over 360 days overdue	4	-	1	-	-	5
Total gross past due but not impaired	**159**	**-**	**5**	**-**	**-**	**164**
Individually determined to be impaired						
- not past due	1 358	-	16	52	34	1 460
- less than 14 days overdue	172	-	2	-	-	174
- 14 to 90 days overdue	364	-	1	62	-	427
- 91 to 180 days overdue	134	-	53	-	-	187
- 181 to 360 days overdue	403	-	20	-	-	423
- over 360 days overdue	306	-	57	2	-	365
Total gross impaired loans	**2 737**	**-**	**149**	**116**	**34**	**3 036**
Total gross loans and advances to corporate customers	**23 215**	**1 092**	**921**	**857**	**197**	**26 282**
Provision for loan impairment	(1 684)	-	(111)	(42)	(15)	(1 852)
Total loans and advances to corporate customers	**21 531**	**1 092**	**810**	**815**	**182**	**24 430**

10 Loans and Advances to Customers (Continued)

Analysis by credit quality of loans to corporate customers and debt securities classified as loans and receivables outstanding as at 31 December 2013 was as follows:

In millions of US Dollars	Corporate loans	Reverse sale and repurchase receivables	Loans to SMEs	Finance lease receivables and advances on lease operations	Debt securities classified as loans and receivables	Total
Neither past due nor impaired						
- A and A-	4 650	58	84	163	-	4 955
- B and B-	9 495	1 808	217	225	-	11 745
- C and C-	9 127	-	268	654	233	10 282
- D	1 889	-	29	200	4	2 122
- Unrated	12	-	3	-	-	15
Total gross neither past due nor impaired	**25 173**	**1 866**	**601**	**1 242**	**237**	**29 119**
Past due but not impaired						
- less than 14 days overdue	5	-	4	-	-	9
- 14 to 90 days overdue	5	-	1	-	-	6
- 91 to 180 days overdue	-	-	1	-	-	1
Total gross past due but not impaired	**10**	**-**	**6**	**-**	**-**	**16**
Individually determined to be impaired						
- not past due	968	-	18	7	29	1 022
- less than 14 days overdue	1	-	-	-	-	1
- 14 to 90 days overdue	38	-	2	7	-	47
- 91 to 180 days overdue	70	-	4	-	-	74
- 181 to 360 days overdue	129	-	6	-	-	135
- over 360 days overdue	388	-	62	1	4	455
Total gross impaired loans	**1 594**	**-**	**92**	**15**	**33**	**1 734**
Total gross loans and advances to corporate customers	**26 777**	**1 866**	**699**	**1 257**	**270**	**30 869**
Provision for loan impairment	(1 405)	-	(88)	(31)	(6)	(1 530)
Total loans and advances to corporate customers	**25 372**	**1 866**	**611**	**1 226**	**264**	**29 339**

The above analysis by credit quality is based on the methodology described in Note 31.

The Group created portfolio provisions for impairment losses that were incurred but have not been specifically identified with any individual loan by the end of reporting period. The Group's policy is to classify each loan as "neither past due nor impaired" until specific objective evidence of impairment of the loan is identified.

10 Loans and Advances to Customers (Continued)

Analysis by credit quality of loans to individuals outstanding as at 31 December 2014 was as follows:

In millions of US Dollars	Credit cards and PILs	Consumer loans	Mortgage loans	Car loans	Reverse sale and repurchase receivables	Total
Neither past due nor impaired						
- good credit standing	617	187	2	3	16	825
- average credit standing	2 268	593	28	10	-	2 899
- bad credit standing	148	57	3	1	-	209
- unrated	450	85	197	60	-	792
Total gross neither past due nor impaired	**3 483**	**922**	**230**	**74**	**16**	**4 725**
Past due but not impaired						
- less than 30 days overdue	101	27	9	2	-	139
- 30 to 90 days overdue	14	3	5	2	-	24
- 91 to 180 days overdue	2	1	3	-	-	6
- 181 to 360 days overdue	1	1	3	-	-	5
- over 360 days overdue	5	1	7	2	-	15
Total gross past due but not impaired	**123**	**33**	**27**	**6**	-	**189**
Individually determined to be impaired						
- not past due	-	-	-	1	-	1
- 30 to 90 days overdue	75	21	3	-	-	99
- 91 to 180 days overdue	112	29	3	3	-	147
- 181 to 360 days overdue	-	3	6	4	-	13
- over 360 days overdue	-	4	7	3	-	14
Total gross impaired loans	**187**	**57**	**19**	**11**	-	**274**
Total gross loans and advances to individuals	**3 793**	**1 012**	**276**	**91**	**16**	**5 188**
Provision for loan impairment	(277)	(78)	(21)	(10)	-	(386)
Total loans and advances to individuals	**3 516**	**934**	**255**	**81**	**16**	**4 802**

The above ratings for neither past due nor impaired represent aggregated results of the scoring system used by the Group at the moment of loan inspection. Good credit standing group represents excellent quality loans with the best score, average credit standing group – medium quality with average score and bad credit standing group – loans potentially under surveillance.

The primary factors that the Group considers in determining whether a loan has become impaired are ability of borrowers to service their debt, loans and interest overdue status and realisability of related collateral, if any.

10 Loans and Advances to Customers (Continued)

Analysis by credit quality of loans to individuals outstanding as at 31 December 2013 was as follows:

In millions of US Dollars	Credit cards and PILs	Consumer loans	Mortgage loans	Car loans	Reverse sale and repurchase receivables	Total
Neither past due nor impaired	4 388	1 642	356	92	33	6 511
Total gross neither past due nor impaired	**4 388**	**1 642**	**356**	**92**	**33**	**6 511**
Past due but not impaired						
- less than 30 days overdue	120	50	6	2	-	178
- 30 to 90 days overdue	14	3	3	2	-	22
- 91 to 180 days overdue	-	-	1	-	-	1
- 181 to 360 days overdue	-	-	1	-	-	1
- over 360 days overdue	9	-	10	3	-	22
Total gross past due but not impaired	**143**	**53**	**21**	**7**	**-**	**224**
Individually determined to be impaired						
- not past due	-	2	-	-	-	2
- 30 to 90 days overdue	64	28	3	-	-	95
- 91 to 180 days overdue	86	41	1	1	-	129
- 181 to 360 days overdue	-	-	2	2	-	4
- over 360 days overdue	-	6	15	4	-	25
Total gross impaired loans	**150**	**77**	**21**	**7**	**-**	**255**
Total gross loans and advances to individuals	**4 681**	**1 772**	**398**	**106**	**33**	**6 990**
Provision for loan impairment	(214)	(97)	(12)	(4)	-	(327)
Total loans and advances to individuals	**4 467**	**1 675**	**386**	**102**	**33**	**6 663**

The financial effect of collateral is presented by disclosing impact of collateral and other credit enhancements on impairment provisions recognised at the end of the reporting period. Without holding collateral and other credit enhancements, the impairment provisions would be higher by the following amounts:

In millions of US Dollars	2014	2013
Corporate loans	862	441
Loans to small and medium-size enterprises ("SMEs")	122	27
Finance lease receivables and advances on lease operations	104	41
Loans to individuals - car loans	10	1
Loans to individuals - credit cards and PILs	-	-
Loans to individuals - consumer loans	-	-
Debt securities classified as loans and receivables	-	-
Total difference on provision for loan impairment	**1 098**	**510**

10 Loans and Advances to Customers (Continued)

Reverse sale and repurchase receivables and mortgage loans are not included in the above table since the Group would not originate these instruments without collateral.

In the normal course of business the Group obtains collateral and/or guarantees and sureties for loans to legal entities. Acceptable collateral includes real estate, property, equipment, inventories, securities, contractual rights and certain other assets. Guarantees and sureties can be provided by controlling shareholders, government entities, banks and other solvent legal entities.

As at 31 December 2014 corporate loans in the amount of USD 7 486 million (2013: USD 7 237 million) were not secured (or were secured by low quality collateral which does not allow to classify the loan as secured using criteria of the Group) and loans in the amount of USD 9 505 million (2013: USD 11 627 million) were secured only by third party guarantees where guarantors are considered to be related to the borrower itself.

As at 31 December 2014 and 2013 most of the loans to small and medium size enterprises were secured by collateral or sureties. Finance lease receivables are secured by the leased equipment the title to which is normally retained by the Group for the duration of the lease.

Reverse sale and repurchase agreements are effectively collateralised by securities purchased under those agreements. As at 31 December 2014 reverse sale and repurchase agreements were collateralised by securities purchased with estimated fair value of USD 1 714 million (2013: USD 2 825 million) all of which the Group had the right to sell or repledge.

As at 31 December 2014 corporate bonds classified as loans and receivables in amount of USD 4 million (2013: USD 45 million) were covered by the Ukrainian State guarantee.

Credit cards, personal instalment and consumer loans to individuals are not secured. Car loans and mortgage loans to individuals are collateralised respectively by cars and property acquired.

For the purposes of measurement the Group classified all balances included in loans and advances to customers as loans and receivables. Currency, maturity and interest rates analyses of loans and advances to customers are disclosed in Note 31. The estimated fair value of loans and advances to customers is disclosed in Note 39. The information on related party balances is disclosed in Note 40.

11 Investments and Repurchase Receivables

In millions of US Dollars	2014	2013
Investments		
Debt investments available for sale	1 573	1 275
Investments held to maturity	498	171
Equity investments available for sale	5	7
Provision for impairment of investments held to maturity	(26)	-
Total investments	**2 050**	**1 453**
Repurchase receivables relating to investments		
Investments held to maturity	754	-
Debt investments available for sale	288	-
Total repurchase receivables relating to investments	**1 042**	**-**
Total investments and repurchase receivables	**3 092**	**1 453**

11 Investments and Repurchase Receivables (Continued)

Debt investments available for sale and repurchase receivables relating to investments available for sale

In millions of US Dollars	2014	2013
Debt investments available for sale		
Russian Federation Eurobonds	874	851
Corporate Eurobonds	293	168
Bonds of other states	163	166
Corporate bonds	130	64
Municipal bonds	113	-
Eurobonds of other states	-	26
Total debt investments available for sale	**1 573**	**1 275**
Repurchase receivables relating to debt investments available for sale		
Corporate Eurobonds	208	-
Russian Federation Eurobonds	80	-
Total repurchase receivables relating to debt investments available for sale	**288**	-
Total debt investments available for sale and repurchase receivables relating to debt investments available for sale	**1 861**	**1 275**

As at 31 December 2014 and 2013 general analysis of debt investments available for sale and repurchase receivables relating to debt investments available for sale by maturity dates, coupon and yields to maturity rates was as follows:

	2014	2013
Maturity dates		
Russian Federation Eurobonds	Apr. 2015 to Apr. 2017	Apr. 2015 to Apr. 2017
Corporate Eurobonds	Sep. 2015 to Oct. 2022	Jan. 2014 to Jun. 2035
Coupon rates		
Russian Federation Eurobonds	3.3% to 3.6%	3.3% to 3.6%
Corporate Eurobonds	3.9% to 11.0%	2.6% to 13.0%
Yields to maturity		
Russian Federation Eurobonds	4.4% to 5.5%	1.2% to 1.9%
Corporate Eurobonds	7.1% to 112.0%	1.3% to 20.0%

Russian Federation Eurobonds are interest-bearing securities issued by Ministry of Finance of the Russian Federation, denominated in US Dollars. Corporate Eurobonds are interest-bearing securities denominated in US Dollars, Russian Roubles, Euro, issued mainly by large Russian, European and CIS companies and freely tradable internationally.

In December 2014 the Group reclassified securities with a fair value of USD 444 million from trading securities category to investments available for sale (Note 37).

Repurchase receivables represent securities sold under sale and repurchase agreements with other banks (Notes 18 and 34). The counterparty financial institutions have a right to resell or pledge these securities.

As at 31 December 2014 debt investments available for sale with a fair value of USD 30 million (2013: USD 50 million) were pledged as collateral with respect to term placements of other banks (Note 18).

11 Investments and Repurchase Receivables (Continued)

As at 31 December 2014 the analysis by credit quality of debt investments available for sale and repurchase receivables relating debt investment available for sale was as follows:

In millions of US Dollars	Russian Federation Eurobonds	Corporate Eurobonds	Bonds of other states	Corpo-rate bonds	Municipal bonds	Total
Neither past due nor impaired (at fair value)						
- Category I	954	312	122	37	-	1 425
- Category II	-	135	28	93	113	369
- Category III	-	49	13	-	-	62
Impaired (at fair value)	-	5	-	-	-	5
Total debt investments available for sale and repurchase receivables relating debt investment available for sale	**954**	**501**	**163**	**130**	**113**	**1 861**

As at 31 December 2013 the analysis by credit quality of debt investments available for sale was as follows:

In millions of US Dollars	Russian Federation Eurobonds	Corporate Eurobonds	Bonds of other states	Corporate bonds	Eurobonds of other states	Total
Neither past due nor impaired (at fair value)						
- Category I	851	-	8	-	1	860
- Category II	-	44	158	57	10	269
- Category III	-	124	-	7	15	146
Total debt investments available for sale	**851**	**168**	**166**	**64**	**26**	**1 275**

For detailed description of credit quality categories refer to Note 31.

Movements in investments available for sale

Movements in investments available for sale and repurchase receivables relating to investments available for sale were as follows:

In millions of US Dollars	Note	2014	2013
Carrying amount as at 1 January		**1 282**	**2 055**
Acquisitions		7 372	2 078
Reclassification from trading securities	37	444	-
Disposals and redemption		(7 096)	(2 826)
Fair value gain less losses		(103)	(18)
Interest income accrued		62	53
Interest income received		(62)	(64)
Impairment		(6)	-
Effect of exchange rates changes		728	72
Effect of translation to presentation currency		(755)	(68)
Carrying amount as at 31 December		**1 866**	**1282**

Currency, maturity and interest rates analyses of investments available for sale and repurchase receivables relating to investments available for sale are disclosed in Note 31.

11 **Investments and Repurchase Receivables (Continued)**

Investments held to maturity and repurchase receivables relating to investments held to maturity

In millions of US Dollars	2014	2013
Investments held to maturity		
Corporate Eurobonds	247	25
Bonds of other states	201	133
Corporate bonds	28	13
Russian Federation Eurobonds	15	-
Municipal bonds	7	-
Provision for impairment	(26)	-
Total investments held to maturity	**472**	**171**
Repurchase receivables relating to investments held to maturity		
Corporate Eurobonds	700	-
Corporate bonds	54	-
Total repurchase receivables relating to investments held to maturity	**754**	**-**
Total investments held to maturity and repurchase receivables relating to investments held to maturity	**1 226**	**171**

As at 31 December 2014 general analysis of debt investments held to maturity by maturity dates, coupon and yields to maturity rates was as follows:

	2014
Maturity dates	
Corporate Eurobonds	Sep. 2015 to Oct. 2020
Bonds of other states	Sep. 2015 to July 2022
Coupon rates	
Corporate Eurobonds	1.1% to 8.3%
Bonds of other states	0.3% to 7.0%
Yields to maturity	
Corporate Eurobonds	0.2% to 26.4%
Bonds of other states	0.0% to 15.6%

Corporate Eurobonds are interest-bearing securities denominated in US Dollars, Russian Roubles, Euro, issued mainly by large Russian and European companies and freely tradable internationally. Eurobonds of other states are interest-bearing securities denominated in Euro and USD, issued by State of Netherlands, French Government, German Government, Kingdom of Belgium, and freely tradable internationally.

Repurchase receivables represent debt investments held to maturity sold under sale and repurchase agreements with the CBRF (Note 18). The CBRF has a right to resell or repledge these securities.

11 Investments and Repurchase Receivables (Continued)

Movements in the provision for impairment of investment securities held to maturity during 2014 were as follows:

In millions of US Dollars	Corporate Eurobonds	Corporate bonds	Bonds of other states	Total
Provision for impairment as at 1 January 2014	-	-	-	-
Provision for impairment during the year	23	2	1	26
Provision for impairment as at 31 December 2014	**23**	**2**	**1**	**26**

As at 31 December 2014 the analysis by credit quality of investments held to maturity and repurchase receivables relating to investments held to maturity was as follows:

In millions of US Dollars	Corporate Eurobonds	Bonds of other states	Corpo-rate bonds	Russian Federation Eurobonds	Muni-cipal bonds	Total
Neither past due nor impaired						
- Category I	697	185	55	15	-	952
- Category II	190	-	-	-	-	190
- Category III	60	16	27	-	7	110
Provision for impairment	(23)	(1)	(2)	-	-	(26)
Total investments held to maturity and repurchase receivables relating to investments held to maturity	**924**	**200**	**80**	**15**	**7**	**1 226**

As at 31 December 2013 the analysis by credit quality of investments held to maturity was as follows:

In millions of US Dollars	Corporate Eurobonds	Bonds of other states	Corporate bonds	Total
Neither past due nor impaired				
- Category II	-	49	-	49
- Category III	25	84	13	122
Total investments held to maturity	**25**	**133**	**13**	**171**

As at 31 December 2014 debt investments held to maturity in the total amount of USD 15 million (2013: USD 83 million) were pledged as collateral with respect to term placements of other banks (Note 18).

The estimated fair value of investments held to maturity and repurchase receivables relating to investments held to maturity is disclosed in Note 39. Currency, maturity and interest rate analyses of investments held to maturity and repurchase receivables relating to investments held to maturity are disclosed in Note 31.

12 Derivative Financial Assets

As at 31 December 2014 derivative financial instruments included USD 1 569 million (2013: USD 224 million) related to instruments contracted with large international banks. As at 31 December 2014 the Group held margin call deposits pledged by its counterparties as collateral under transactions with derivative financial instruments, operations with securities and loans and advances to customers in the amount of USD 1 131 million (2013: USD 856 million). Refer to Notes 18 and 19.

As at 31 December 2014 and 2013 derivative financial assets were neither past due nor impaired and with counterparties with credit history over one year. Refer to Note 38 for the detailed information on derivative financial instruments.

13 Other Financial Assets

In millions of US Dollars	**2014**	**2013**
Debt financial instruments designated at fair value through profit or loss	266	148
Receivables for sold loans	62	-
Receivables on banking operations	44	31
Receivables on operations with securities	36	30
Equity financial instruments designated at fair value through profit or loss	15	23
Restricted cash	7	16
Trade debtors	1	1
Other	44	89
Provision for impairment	(11)	(18)
Total other financial assets	**464**	**320**

Movements in the provision for impairment of other financial assets were as follows:

In millions of US Dollars	**2014**	**2013**
Provision for impairment as at 1 January	**18**	**17**
Provision for impairment during the year	5	12
Amounts written off during the year as uncollectible	(4)	(8)
Effect of translation to presentation currency	(8)	(3)
Provision for impairment as at 31 December	**11**	**18**

13 Other Financial Assets (Continued)

Analysis by credit quality of other financial assets as at 31 December 2014 was as follows:

In millions of US Dollars	Financial instruments at fair value through profit or loss	Receivables for sold loans	Receivables on banking operations	Receivables on operations with securities	Restricted cash	Trade debtors	Other	Total
Neither past due nor impaired with credit history	266	-	1	35	1	-	23	326
Neither past due nor impaired without credit history	-	62	38	1	-	-	3	104
Past due and impaired	-	-	5	-	-	1	18	24
Not past due but impaired	-	-	-	-	6	-		6
Total gross other financial assets (excluding equity financial instruments)	**266**	**62**	**44**	**36**	**7**	**1**	**44**	**460**
Provision for impairment	-	-	(6)	-	(1)	(1)	(3)	(11)
Total other financial assets (excluding equity financial instruments)	**266**	**62**	**38**	**36**	**6**	-	**41**	**449**

Analysis by credit quality of other financial assets as at 31 December 2013 was as follows:

In millions of US Dollars	Financial instruments at fair value through profit or loss	Receivables on banking operations	Receivables on operations with securities	Restricted cash	Trade debtors	Other	Total
Neither past due nor impaired with credit history	148	7	30	-	-	11	196
Neither past due nor impaired without credit history	-	19	-	-	-	57	76
Past due and impaired	-	5	-	-	1	21	27
Not past due but impaired	-	-	-	16	-	-	16
Total gross other financial assets (excluding equity financial instruments)	**148**	**31**	**30**	**16**	**1**	**89**	**315**
Provision for impairment	-	(5)	-	(3)	(1)	(9)	(18)
Total other financial assets (excluding equity financial instruments)	**148**	**26**	**30**	**13**	-	**80**	**297**

"Entities with credit history" are those entities of which the Group is aware of their credit history for more than one year.

For the purposes of measurement the Group classified all balances included in other financial assets as loans and receivables except for financial instruments at fair value through profit or loss. Currency and maturity analyses of other financial assets are disclosed in Note 31. The estimated fair values of other financial assets are disclosed in Note 39. The information on related party balances is disclosed in Note 40.

14 Land, Premises and Equipment

In millions of US Dollars	**Land and premises**	**Leasehold improvements**	**Machinery**	**Office and computer equipment**	**Construction in progress**	**Equipment under operating leases**	**Total**
Cost or valuation as at 1 January 2013	330	42	19	347	146	3	887
Accumulated depreciation	(50)	(34)	(15)	(132)	-	(1)	(232)
Carrying amount as at 1 January 2013	**280**	**8**	**4**	**215**	**146**	**2**	**655**
Additions	56	1	9	86	92	2	246
Disposals	-	-	-	(17)	-	-	(17)
Transfers	28	(4)	-	-	(24)	-	-
Revaluation	33	-	-	-	-	-	33
Depreciation charge (Note 28)	(7)	(3)	(3)	(54)	-	-	(67)
Translation movement	(19)	1	-	(12)	(11)	-	(41)
Cost or valuation as at 31 December 2013	425	38	28	380	203	5	1 079
Accumulated depreciation	(54)	(35)	(18)	(162)	-	(1)	(270)
Carrying amount as at 31 December 2013	**371**	**3**	**10**	**218**	**203**	**4**	**809**
Additions	36	1	5	74	21	1	138
Disposal of subsidiary	(30)	-	-	-	-	-	(30)
Disposals	-	(1)	-	(3)	-	-	(4)
Transfers	116	-	-	-	(116)	-	-
Business combination (Note 41)	39	-	-	3	-	-	42
Revaluation	48	-	-	-	-	-	48
Depreciation charge (Note 28)	(14)	(1)	(2)	(60)	-	(1)	(78)
Translation movement	(137)	(2)	(6)	(69)	(81)	(1)	(296)
Cost or valuation as at 31 December 2014	481	21	18	290	27	5	842
Accumulated depreciation	(52)	(21)	(11)	(127)	-	(2)	(213)
Carrying amount as at 31 December 2014	**429**	-	**7**	**163**	**27**	**3**	**629**

Land and premises have been recorded at fair value as at 31 December 2014 and 2013. The valuation was carried out mainly by independent firms of valuers, who hold a recognised and relevant professional qualification and who have recent experience in valuation of assets of similar location and category. The basis used for the appraisal was market value.

Included in the above carrying amount is USD 92 million (2013: USD 98 million) representing revaluation surplus relating to land and premises of the Group. As at 31 December 2014 the carrying amount of land and premises would have been USD 336 million (2013: USD 273 million) had the assets been carried at cost less depreciation.

15 Goodwill and Intangible Assets

Movements in goodwill and intangible assets were as follows:

In millions of US Dollars	Goodwill	Customer relation-ship	Computer software	Other	Total
Cost as at 1 January 2013	65	76	168	5	314
Accumulated amortisation	-	(54)	(112)	(1)	(167)
Carrying amount as at 1 January 2013	**65**	**22**	**56**	**4**	**147**
Additions	-	-	57	4	61
Disposals	-	-	(4)	(1)	(5)
Amortisation charge (Note 28)	-	(6)	(26)	(1)	(33)
Translation movement	(5)	(2)	(3)	-	(10)
Cost as at 31 December 2013	60	70	191	8	329
Accumulated amortisation	-	(56)	(111)	(2)	(169)
Carrying amount as at 31 December 2013	**60**	**14**	**80**	**6**	**160**
Additions	-	-	41	3	44
Business combination (Note 41)	4	22	-	3	29
Disposals	-	-	(1)	(1)	(2)
Impairment	(4)	-	(5)	-	(9)
Amortisation charge (Note 28)	-	(4)	(31)	(1)	(36)
Translation movement	(25)	(6)	(23)	-	(54)
Cost as at 31 December 2014	35	62	134	12	243
Accumulated amortisation	-	(36)	(73)	(2)	(111)
Carrying amount as at 31 December 2014	**35**	**26**	**61**	**10**	**132**

The recoverable amount of goodwill for the purposes of impairment testing was estimated based on value in use calculation.

16 Investment Property

In millions of US Dollars	2014	2013
Investment properties at fair value as at 1 January	**61**	**81**
Additions	4	11
Business combination (Note 41)	98	-
Acquisition of investment property by repossession of collateral	14	8
Disposals	(14)	(23)
Impairment	(1)	-
Fair value gains less losses	2	(16)
Effect of translation to presentation currency	(41)	-
Investment properties at fair value as at 31 December	**123**	**61**

The investment properties were valued on 31 December 2014 and 2013 at fair value by valuers who have recent experience in valuing similar properties. The basis used for the appraisal was mainly market value.

17 Other Assets

Other assets as at 31 December 2014 and 2013 comprised the following:

In millions of US Dollars	2014	2013
Prepayments	130	175
Prepayment of taxes, other than on income	28	90
Other	13	7
Provision for impairment	(7)	(12)
Total other assets	**164**	**260**

Movements in provision for impairment of other assets were as follows:

In millions of US Dollars	2014	2013
Provision for impairment as at 1 January	**12**	**11**
Provision for impairment during the year	-	3
Amounts written off during the year as uncollectible	-	(2)
Effect of translation to presentation currency	(5)	-
Provision for impairment as at 31 December	**7**	**12**

18 Due to Other Banks

In millions of US Dollars	2014	2013
Correspondent accounts and overnight placements of other banks		
- CIS countries	362	304
- Other countries	28	110
Term placements of other banks	2 261	1 948
Sale and repurchase agreements with other banks	20	2 670
Placements with CBRF		
- Term deposits	2 426	-
- Sale and repurchase agreements	1 331	2 232
- Loans received under a secured lending programme	2 281	611
Total due to other banks	**8 709**	**7 875**

As at 31 December 2014 the ten largest aggregate balances due to other banks amounted to USD 7 530 million (2013: USD 5 164 million) or 86% (2013: 66%) of total due to other banks.

As at 31 December 2014 sale and repurchase agreements with CBRF and other banks were secured by trading securities, debt investments available for sale and investments held to maturity in the amount of USD 1 381 million (2013: USD 1 881 million) (Notes 8 and 11), securities purchased under reverse sale and repurchase agreements with a fair value of USD 264 million (2013: USD 2 063 million).

As at 31 December 2014 loans received under a secured lending programme were secured by a pledge of loans and advances to customers in the amount of USD 3 283 million (2013: USD 626 million) (Note 10).

As at 31 December 2014 term placements of other banks were collateralised by debt investments available for sale in the amount of USD 30 million (2013: USD 50 million), investments held to maturity in the amount of USD 15 million (2013: USD 83 million) and by loans and advances to customers with the carrying value of USD 161 million (2013: USD 171 million) (Notes 10 and 11).

As at 31 December 2014 included within term placements of other banks are margin call deposits in the amount of USD 631 million (2013: USD 138 million) received by the Group as collateral under transactions with derivatives and operations with securities with other banks (Notes 12 and 34).

Currency, maturity and interest rate analyses of due to other banks are disclosed in Note 31. The estimated fair value of due to other banks is disclosed in Note 39.

19 Customer Accounts

In millions of US Dollars	2014	2013
Commercial organisations		
- Current/settlement accounts	3 856	4 841
- Term deposits	5 186	8 353
Individuals		
- Current/demand accounts	5 149	7 439
- Term deposits	8 092	8 646
State and public organisations		
- Current/settlement accounts	178	295
- Term deposits	588	403
Total customer accounts	**23 049**	**29 977**

As at 31 December 2014 the aggregate balances of ten largest customers (or groups of related customers) amounted to USD 4 629 million (2013: USD 5 715 million) or 20% (2013: 19%) of the total customer accounts.

As at 31 December 2014 included in customer accounts are balances in the amount of USD 70 million (2013: USD 70 million) held as collateral for irrevocable commitments under import letters of credit (Note 33).

As at 31 December 2014 included within customer accounts are margin call deposits in the amount of USD 500 million (2013: USD 718 million) received by the Group as collateral under transactions with derivatives, operations with securities and loans and advances to customers.

As at 31 December 2014 sale and repurchase agreements in the amount of USD 15 million (2013: USD 31 million) were effectively secured by trading securities purchased under reverse sale and repurchase agreements with a fair value of USD 16 million (2013: USD 35 million).

Economic sector concentrations within customer accounts were as follows:

	2014		2013	
In millions of US Dollars	Amount	%	Amount	%
Individuals	13 241	57	16 085	54
Finance and investment companies	3 222	14	6 157	21
Trade and commerce	1 406	6	1 188	4
Manufacturing	1 113	5	1 552	5
Transport	818	4	604	2
State and public organisations	766	3	698	2
Energy and oil and gas	202	1	1 000	3
Construction and real estate	122	1	229	1
Other	2 159	9	2 464	8
Total customer accounts	**23 049**	**100**	**29 977**	**100**

Currency, maturity and interest rate analyses of customer accounts are disclosed in Note 31. The estimated fair value of customer accounts is disclosed in Note 39. The information on related party balances is disclosed in Note 40.

20 Borrowings

In millions of US Dollars	2014	2013
Russian Rouble denominated bonds	1 086	1 254
Notes maturing in September 2017	983	1 003
Notes maturing in 2021	976	1 005
Promissory notes and other domestic bonds	912	1 901
Notes maturing in 2015	575	603
Notes maturing in June 2017	435	-
Notes maturing in 2016	180	309
Notes maturing in 2018	89	95
Euro Commercial Paper Notes	71	452
Total debt securities issued	**5 307**	**6 622**
Loan from the SDIA maturing on 3 September 2024	276	-
Syndicated loan maturing on 23 April 2014	-	350
Syndicated loan maturing on 24 October 2014	-	51
Syndicated and other debt	**276**	**401**
Subordinated notes maturing in 2019	669	713
Subordinated loan from VEB maturing in 2020	472	801
Subordinated notes maturing in 2020	251	-
Subordinated notes maturing in 2017	247	246
Subordinated loan from VEB maturing in 2019	174	297
Subordinated debt	**1 813**	**2 057**
Total borrowings	**7 396**	**9 080**

Russian Rouble denominated bonds

The details of Rouble denominated bonds outstanding as at 31 December 2014 are disclosed below:

Issue date	Maturity date	Next repricing date	Amortised cost as at 31 December 2014 in millions of USD	Coupon per annum	Effective interest-rate
8 February 2011	2 February 2016	-	14	8.00%	8.17%
9 December 2011	2 December 2016	-	26	8.25%	8.43%
31 August 2012	31 August 2015	-	91	8.25%	8.43%
28 September 2012	28 September 2015	-	137	8.25%	8.43%
26 February 2013	26 February 2016	-	92	8.65%	8.85%
6 June 2013	29 June 2015	-	3	17.00%	17.70%
20 August 2013	20 August 2016	-	92	8.35%	8.53%
24 October 2013	24 October 2016	-	180	8.25%	8.43%
11 June 2014	11 June 2017	11 June 2016	89	9.75%	10.00%
30 June 2014	30 June 2017	-	89	10.25%	10.52%
18 September 2014	30 August 2029	19 September 2016	91	11.65%	11.99%
18 September 2014	30 August 2029	18 September 2017	92	11.95%	12.31%
2 December 2014	13 November 2029	2 June 2016	90	13.25%	13.70%
Total Russian Rouble denominated bonds			**1 086**		

20 Borrowings (Continued)

Notes

On 24 September 2010 the Group issued USD 1 000 million Notes with maturity date on 25 September 2017 and interest rate of 7.875% p.a. The issue proceeds net of transaction costs were equal to USD 996 million and effective rate at origination was 8.11% p.a. As at 31 December 2014 balance of Notes repurchased by the Group on the market amounted to USD 35 million at amortised cost (2013: USD 15 million).

On 28 April 2011 the Group issued USD 1 000 million Notes with maturity date on 28 April 2021 and interest rate of 7.75% p.a. The issue proceeds net of transaction costs were equal to USD 997 million and effective rate at origination was 7.94% p.a. As at 31 December 2014 balance of Notes repurchased by the Group on the market amounted to USD 34 million at amortised cost (2013: USD 5 million).

On 18 March 2010 the Group issued USD 600 million Notes with maturity date on 18 March 2015 and interest rate of 8.0% p.a. The issue proceeds net of transaction costs were equal to USD 597 million and effective interest rate at origination was 8.29% p.a. As at 31 December 2014 balance of Notes repurchased by the Group on the market amounted to USD 38 million at amortised cost (2013: USD 10 million). The Notes were redeemed in full on 18 March 2015.

On 10 June 2014 the Group issued EUR 350 million (equivalent of USD 478 million) Notes with maturity date on 9 June 2017 and interest rate of 5.5% p.a. The issue proceeds net of transaction costs were equal to EUR 348 million (equivalent of USD 475 million) and effective rate at origination was 5.68% p.a. As at 31 December 2014 balance of Notes repurchased by the Group on the market amounted to USD 1 million at amortised cost.

On 26 April 2013 the Group issued RR 10 000 million (equivalent of USD 319 million) Notes with maturity date on 26 April 2016 and interest rate of 8.63% p.a. The issue proceeds net of transaction costs were equal to RR 9 948 million (equivalent of USD 318 million) and effective rate at origination was 9.01% p.a.

On 6 December 2013 the Group issued CHF 85 million (equivalent of USD 94 million) Notes with maturity date on 15 January 2018 and interest rate of 4% p.a. The issue proceeds net of transaction costs were equal to CHF 84 million (equivalent of USD 93 million) and effective rate at origination was 4.28% p.a.

Promissory notes

Promissory Notes comprise of securities in Russian Roubles, US Dollars and Euros issued by the Group with a discount to face value or with interest accrual and bear an effective interest rate from 0.0% p.a. to 24.4% p.a. depending on the type of issue and currency of the security (2013: from 0.0% p.a. to 10.3% p.a.). As at 31 December 2014 these promissory notes have maturity dates ranging from January 2015 to May 2025 (2013: from January 2014 to May 2025).

USD denominated Euro Commercial Paper Programme

On 2 February 2012 the Group established a Euro Commercial Paper Programme (the "ECP Programme") with a limit of the aggregate principal amount of outstanding Notes issued under the ECP Programme of USD 1 400 million.

The details of Notes outstanding as at 31 December 2014 are disclosed below:

Issue date	Maturity date	Amortised cost as at 31 December 2014 in millions of USD	Effective interest rate per annum
24 July 2014	23 July 2015	40	3.50%
24 September 2014	23 September 2015	31	4.00%
Total		**71**	

As at 31 December 2014 the balance of Notes issued under ECP Programme and repurchased by the Group on the market amounted to USD 37 million at amortised cost (2013: USD 100 million).

20 Borrowings (Continued)

Syndicated loans

On 24 April 2013 the Group received a syndicated loan in the amount of USD 350 million bearing a floating interest rate of 6-month LIBOR plus 1.7% p.a. payable semi-annually with 23 April 2014 maturity date. The issue proceeds net of transaction costs were equal to USD 346 million and effective rate at origination was 3.32% p.a. On 23 April 2014 a syndicated loan was repaid.

In September 2014 the SDIA provided Baltiyskiy Bank (Note 41) with a RR 57 400 million (equivalent of USD 1 537 million) loan carrying an interest rate of 0.51% p.a. and repayable in 2024 (except that earlier partial repayments are required in case of recovery of certain problem assets of Baltiyskiy Bank). The loan was recorded by the Group at the date of acquisition of Baltiyskiy Bank at its fair value of RR 15 564 million (equivalent of USD 285 million) determined by discounting future cash flows at interest rate of 15.65% p.a.

Subordinated loans from VEB

In 2008 the Russian government provided assistance to the Russian financial system by instructing the Russian State Corporation Bank Razvitiya i Vneshneekonomicheskoy Deyatelnosti ("VEB") to grant subordinated loans to selected banks.

On 29 January 2009 the Group received a subordinated loan from VEB in the amount of RR 10 201 million (equivalent of USD 307 million) bearing a fixed interest rate of 8% per annum plus a fee of 0.03% per annum, which matures on 25 December 2019, followed by the second tranche of that subordinated loan in the amount of RR 231 million (equivalent of USD 8 million) received on 19 October 2009.

In October 2009 the Group received another subordinated loan from VEB in the amount of RR 29 181 million (equivalent of USD 994 million) bearing a fixed interest rate of 9.5% per annum plus a fee of 0.03% per annum, which matures on 25 December 2020.

The Group has an option to repay these loans at any time subject to approvals from the CBRF and VEB.

Since 25 August 2010 the interest rates on the above subordinated loans were reduced from 8% per annum to 6.5% per annum on the loan maturing on 25 December 2019 and from 9.5% per annum to 7.5% per annum on the loan maturing on 25 December 2020. All other terms of these loans remain unchanged.

The Group accounted for such reduction in accordance with IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance". The revised carrying value of the loans as at 25 August 2010 of USD 1 148 million represented the future revised cash flows relating to the loans discounted at the loans' original effective interest rates. The difference in the amount of USD 157 million between the previous and revised carrying value of the loans was recorded on 25 August 2010 as government grant deferred income within other liabilities (Note 22) and is amortised through interest expense until the loans' maturity dates. In accordance with the terms of the loan agreements Alfa-Bank Russia is required (i) to maintain a portfolio of loans with a term of not less than six months issued to priority sectors of economy in Russia in the amount of the January 2009 subordinated loan outstanding; (ii) to maintain a portfolio of loans with a term of not less than one year issued to priority sectors of the economy in Russia in the amount of the October 2009 subordinated loan outstanding at interest rates less than or equal to the CBRF refinancing rate plus three per cent; (iii) to obtain approval from VEB for certain significant transactions and (iv) to include VEB nominees in Alfa-Bank Russia management bodies.

Subordinated notes maturing in 2019

On 26 September 2012 the Group issued subordinated notes in the amount of USD 750 million. The notes bear a fixed interest rate of 7.50% per annum payable semi-annually from the issuance until maturity on 26 September 2019. The issue proceeds net of transaction costs were equal to USD 748 million and effective interest rate at origination was 7.71% per annum. As at 31 December 2014 balance of Notes repurchased by the Group on the market amounted to USD 93 million at amortised cost (2013: USD 49 million).

20 Borrowings (Continued)

Subordinated notes maturing in 2020

On 18 November 2014 the Group issued subordinated notes in the amount of USD 250 million. The notes bear a fixed interest rate of 9.50% per annum payable semi-annually from the issuance until maturity on 18 February 2020. The issue proceeds net of transaction costs were equal to USD 248 million and effective interest rate at origination was 9.90% per annum.

Subordinated notes maturing in 2017

On 22 February 2007 the Group issued subordinated notes in the amount of USD 300 million. The notes bear a fixed interest rate of 8.64% per annum payable semi-annually from the issuance until 22 February 2012 and a floating interest rate thereafter set at the US Treasury Rate plus 5.46% per annum payable semi-annually until maturity on 22 February 2017. The Group had an option to repay these notes at nominal on 22 February 2012. The Group has not exercised the option. The issue proceeds net of transaction costs were equal to USD 299 million and effective interest rate at origination was 9.0% per annum. As at 31 December 2014 balance of notes repurchased by the Group on the market amounted to USD 58 million at amortised cost (2013: USD 59 million).

Currency, maturity and interest rate analyses of borrowings are disclosed in Note 31. The estimated fair value of borrowings is disclosed in Note 39.

21 Other Financial Liabilities

In millions of US Dollars	Note	2014	2013
Provision for losses on credit related commitments and performance guarantees	33	184	50
Payable on operations with securities		119	72
Trade payables		31	68
Plastic card and other settlements with clients		23	28
Other		95	64
Total other financial liabilities		**452**	**282**

Currency and maturity analyses of other financial liabilities are disclosed in Note 31. The estimated fair value of other financial liabilities is disclosed in Note 39. The information on related party balances is disclosed in Note 40.

22 Other Liabilities

In millions of US Dollars	Note	2014	2013
Accrued staff costs		107	224
Government grant	20	59	113
Taxes payable, other than on income		19	19
Insurance provisions		12	-
Other		36	74
Total other liabilities		**233**	**430**

The information on related party balances is disclosed in Note 40.

23 Share Capital

As at 31 December 2014, 2013 and 2012 the share capital of the Company comprised 38 870 560 ordinary shares. All shares of the Company are paid, have nominal value of USD 0.01 each, rank equally and each share carries one vote. During 2014 and 2013 the Company declared no dividends.

During 2013 a subsidiary of CTFH (Note 40) waived its rights to a loan receivable from the Group with a carrying value of USD 321 million. Also, during 2013 the Group received USD 210 million from a subsidiary of CTFH as a non-refundable contribution. Since these transactions were performed between companies with the same effective ownership the transactions were treated as contributions from shareholders and recorded directly in equity.

24 Interest Income and Expense

In millions of US Dollars	2014	2013
Loans and advances to corporate customers	2 714	2 878
Loans and advances to individuals	1 595	1 489
Trading securities and repurchase receivables	197	203
Due from other banks	64	35
Debt investments available for sale and repurchase receivables	62	53
Debt investment held to maturity and repurchase receivables	54	-
Total interest income	**4 686**	**4 658**
Term deposits of legal entities	604	607
Due to other banks	472	246
Debt securities issued	444	445
Term deposits of individuals	397	491
Subordinated debt	150	161
Current/settlement accounts	148	167
Syndicated and other debt	16	33
Total interest expense	**2 231**	**2 150**
Net interest income	**2 455**	**2 508**

Refer to Note 40 for details of related party transactions.

25 Fee and Commission Income and Expense

In millions of US Dollars	2014	2013
Fee and commission income		
Commission on settlement transactions	811	734
Commission on cash and foreign currency exchange transactions	146	97
Agency commission on insurance operations	112	128
Commission on guarantees issued	68	102
Other	38	44
Total fee and commission income	**1 175**	**1 105**
Fee and commission expense		
Commission on settlement transactions	239	211
Commission for consulting services	8	14
Commission on cash and foreign currency exchange transactions	8	11
Commission on transactions with securities	2	3
Commission for fiduciary activities	1	1
Other	18	15
Total fee and commission expense	**276**	**255**
Net fee and commission income	**899**	**850**

Refer to Note 40 for details of related party transactions.

26 Gains less Losses from Trading in Foreign Currencies

In millions of US Dollars	2014	2013
Foreign currencies term deals	(677)	(72)
Foreign currencies spot deals	809	35
Total gains less losses from trading in foreign currencies	**132**	**(37)**

Refer to Note 40 for details of related party transactions.

27 Other Operating Income

In millions of US Dollars	2014	2013
Income from insurance activities	32	-
Gains from disposal of repossessed collateral	3	5
Other	9	42
Total other operating income	**44**	**47**

Refer to Note 40 for details of related party transactions.

28 Operating Expenses

In millions of US Dollars	Note	2014	2013
Staff costs		799	958
Rent		136	135
Depreciation and amortisation	14,15	114	100
Consulting and professional services		67	73
Expenses related to premises and equipment		60	65
Computer and telecommunications expenses		56	57
State deposit insurance contributions		48	51
Advertising and marketing		42	44
Repairs and maintenance		41	47
Administrative expenses		40	40
Expenses related to insurance business		20	-
Taxes other than income tax		17	12
Other expenses		64	86
Total operating expenses		**1 504**	**1 668**

Staff costs include contributions to the state pension plans made by the Group for its personnel in the amount of USD 122 million (2013: USD 127 million). The state pension plans are classified as a defined contribution plans because the Group does not have any legal or constructive obligation to make further contributions if the state pension plans would not hold sufficient assets to pay all employee benefits relating to employees' past service.

Refer to Note 40 for details on related party transactions.

29 Income Taxes

Income tax expense comprises the following:

In millions of US Dollars	2014	2013
Current income tax expense	300	255
Deferred income tax expense	94	3
Income tax expense for the year	**394**	**258**

The income tax rates applicable to the Group's subsidiaries' operations range from 0% to 20% (2013: from 0% to 20%) depending on the jurisdiction in which they are located.

Reconciliation between the expected and the actual taxation charge is provided below:

In millions of US Dollars	2014	2013
IFRS profit before tax	**1 659**	**1 120**
Theoretical tax charge at applicable tax rate	324	221
Tax effect of items which are not deductible or assessable for taxation purposes:		
Non-deductible expenses	38	32
Impact of changes in tax rates	(4)	-
Gain on bargain purchase	(28)	-
Recognition of previously unrecognised deferred tax assets	-	(3)
Tax losses for which no deferred tax asset was recognised	87	6
Other	(23)	2
Income tax expense for the year	**394**	**258**

29 Income Taxes (Continued)

Theoretical tax charge was calculated as a product of profit or loss earned by each of Group's subsidiaries by their respective tax rates depending on their jurisdictions and depends of the composition of Group's profit or loss before tax by jurisdictions.

The tax effect of the movements in temporary differences during 2014 is detailed below:

In millions of US Dollars	1 January 2014	Recorded in profit or loss	Recorded in other comprehensive income (excluding translation movement)	Translation movement recorded in other comprehensive income	Business combinations (Note 41)	31 December 2014
Trading securities	19	(11)	-	(9)	-	(1)
Investments available for sale	-	(1)	15	-	38	52
Accruals	71	(25)	-	(29)	2	19
Tax losses carried forward	20	48	-	(11)	23	80
Investments held to maturity	-	5	-	-	-	5
Other impairment provisions	17	29	-	(7)	3	42
Derivatives	2	52	-	-	3	57
Provision for loan impairment	76	6	-	(38)	-	44
Other	5	(2)	-	(1)	-	2
Deferred tax asset	**210**	**101**	**15**	**(95)**	**69**	**300**
Deferred tax netted off within individual entities	(130)	(89)	(10)	48	(69)	(250)
Net deferred tax asset	**80**	**12**	**5**	**(47)**	**-**	**50**
Loan from the SDIA	-	-	-	-	(153)	(153)
Investment held to maturity	-	-	-	-	(3)	(3)
Investments available for sale	(1)	-	-	-	-	(1)
Premises and equipment	(79)	2	(10)	34	(4)	(57)
Provision for loan impairment	(124)	(106)	-	51	3	(176)
Intangible assets and other fair value adjustments	(3)	-	-	1	(4)	(6)
Investments at fair value through profit or loss	(3)	2	-	1	-	-
Derivatives	(6)	(3)	-	3	-	(6)
Trading securities	-	(38)	-	-	-	(38)
Other	(4)	(23)	-	3	1	(23)
Deferred tax liability	**(220)**	**(166)**	**(10)**	**93**	**(160)**	**(463)**
Deferred tax netted off within individual entities	130	89	10	(48)	69	250
Net deferred tax liability	**(90)**	**(77)**	**-**	**45**	**(91)**	**(213)**
Effect of translation of deferred taxation at average rates	-	(29)	-	29	-	-
Net deferred tax liability position	**(10)**	**(94)**	**5**	**27**	**(91)**	**(163)**

29 Income Taxes (Continued)

The tax effect of the movements in temporary differences during 2013 is detailed below:

In millions of US Dollars	1 January 2013	Recorded in profit or loss	Recorded in other comprehensive income (excluding translation movement)	Translation movement recorded in other comprehensive income	31 December 2013
Trading securities	2	18	-	(1)	19
Accruals	58	17	-	(4)	71
Tax losses carried forward	24	(3)	-	(1)	20
Other impairment provisions	12	6	-	(1)	17
Derivatives	17	(15)	-	-	2
Provision for loan impairment	71	5	-	-	76
Other	6	(1)	-	-	5
Deferred tax asset	**190**	**27**	**-**	**(7)**	**210**
Deferred tax netted off within individual entities	(113)	(17)	-	-	(130)
Net deferred tax asset	**77**	**10**	**-**	**(7)**	**80**
Investments available for sale	(5)	-	4	-	(1)
Premises and equipment	(66)	(11)	(6)	4	(79)
Provision for loan impairment	(112)	(23)	-	11	(124)
Intangible assets and other fair value adjustments	(4)	1	-	-	(3)
Investments at fair value through profit or loss	(13)	9	-	1	(3)
Derivatives	-	(6)	-	-	(6)
Other	(4)	-	-	-	(4)
Deferred tax liability	**(204)**	**(30)**	**(2)**	**16**	**(220)**
Deferred tax netted off within individual entities	113	17	-	-	130
Net deferred tax liability	**(91)**	**(13)**	**(2)**	**16**	**(90)**
Net deferred tax liability position	**(14)**	**(3)**	**(2)**	**9**	**(10)**

Depending on jurisdiction tax losses carried forward have either no expiry date or an expiry date within 10 years.

In the context of the Group's current structure, tax losses and current tax assets of different companies may not be offset against current tax liabilities and taxable profits of other companies and, accordingly, taxes may accrue even where there is a net consolidated tax loss. Therefore, a deferred tax asset of one company of the Group may not be offset against a deferred tax liability of another company.

The Group has not recorded a deferred tax liability in respect of temporary differences associated with investments in subsidiaries as the Group is able to control the timing of the reversal of those temporary differences, and does not intend to reverse them in the foreseeable future.

30 Segment Analysis

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker ("CODM") and for which discrete financial information is available. The CODM is the person or group of persons who allocates resources and assesses the performance for the entity. The functions of CODM in the Group are performed by the Board of Directors of the Company. The Group runs its activities through four major subholdings (ABH Financial, ABH Ukraine, ABH Kazakhstan and ABH Belarus – Note 1) operating primarily in the respective territories. All subholdings are engaged in providing the following services to clients: private banking services, private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages, direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and derivative products, financial instruments trading, structured financing, corporate leasing, merger and acquisitions advice.

The Group's segments are strategic business units that focus on different markets. They are managed separately because each business unit requires different marketing and operating strategies. The CODM obtains monthly financial statements of the Group's subsidiaries prepared under IFRS.

ABH Financial, ATB and ABH Ukraine are the most significant segments and other segments (represented mainly by ABH Kazakhstan, ABH Belarus and the Company (holding primarily investments in subsidiaries)) are combined into the reporting segment identified as "Other".

Segment information for the reportable segments as at 31 December 2014 and reconciliation of segments' assets and liabilities to total assets and liabilities is set out below:

In millions of US Dollars	ABH Financial	ATB	ABH Ukraine	Other	Elimination of inter-company balances	Consolidation adjustments	Total
Cash and cash equivalents	4 676	361	132	362	(105)	-	5 426
Mandatory cash balances with central banks	251	36	-	3	-	-	290
Trading securities	674	2	-	-	-	-	676
Repurchase receivables relating to trading securities	339	-	-	-	-	-	339
Due from other banks	2 122	2 210	70	39	(767)	-	3 674
Loans and advances to customers	25 107	1 358	1 468	1 304	(5)	-	29 232
Investments	1 358	459	62	171	-	-	2 050
Repurchase receivables relating to investments	1 042	-	-	-	-	-	1 042
Investments in subsidiaries	258	-	-	2 671	-	(2 929)	-
Derivative financial instruments	2 750	361	28	65	(332)	-	2 872
Other financial assets	410	6	21	67	(40)	-	464
Investments in associates	-	-	10	-	-	-	10
Other assets	902	46	164	99	-	-	1 211
Total reportable segments assets	**39 889**	**4 839**	**1 955**	**4 781**	**(1 249)**	**(2 929)**	**47 286**
Due to other banks	8 262	462	482	250	(747)	-	8 709
Customer accounts	16 418	3 679	1 620	1 428	(96)	-	23 049
Borrowings	7 346	-	6	80	(36)	-	7 396
Derivative financial instruments	2 673	362	4	2	(326)	-	2 715
Other financial liabilities	511	3	17	20	(99)	-	452
Other liabilities	444	13	30	17	(7)	-	497
Total reportable segments liabilities	**35 654**	**4 519**	**2 159**	**1 797**	**(1 311)**	**-**	**42 818**

30 Segment Analysis (Continued)

Segment information for the reportable segments as at 31 December 2013 and reconciliation of segments' assets and liabilities to total assets and liabilities is set out below:

In millions of US Dollars	**ABH Financial**	**ATB**	**ABH Ukraine**	**Other**	**Elimination of inter-company balances**	**Consolidation adjustments**	**Total**
Cash and cash equivalents	5 140	850	325	230	(86)	-	6 459
Mandatory cash balances with central banks	315	40	80	18	-	-	453
Trading securities	1 479	15	-	-	(10)	-	1 484
Repurchase receivables relating to trading securities	1 873	8	-	-	-	-	1 881
Due from other banks	893	2 934	62	11	(539)	-	3 361
Loans and advances to customers	30 821	1 685	2 335	1 199	(38)	-	36 002
Investments	931	219	134	180	(11)	-	1 453
Investments in subsidiaries	258	-	-	2 803	-	(3 061)	-
Derivative financial instruments	315	15	23	51	(1)	-	403
Other financial assets	285	14	20	8	(7)	-	320
Investments in associates	-	-	15	-	-	-	15
Other assets	1044	35	200	109	-	-	1 388
Total reportable segments assets	**43 354**	**5 815**	**3 194**	**4 609**	**(692)**	**(3 061)**	**53 219**
Due to other banks	6 961	464	729	197	(476)	-	7 875
Customer accounts	21 894	4 901	2 068	1 223	(109)	-	29 977
Borrowings	8 921	-	152	110	(103)	-	9 080
Derivative financial instruments	196	4	16	-	(3)	-	213
Other financial liabilities	260	2	11	13	(4)	-	282
Other liabilities	478	15	22	24	(5)	-	534
Total reportable segments liabilities	**38 710**	**5 386**	**2 998**	**1 567**	**(700)**	**-**	**47 961**

30 Segment Analysis (Continued)

Segment information for the reportable segments for the year ended 31 December 2014 and reconciliation of segments' profits/ losses for the year ended 31 December 2014 to the total profit for the year ended 31 December 2014 is set out below:

In millions of US Dollars	ABH Financial	ATB	ABH Ukraine	Other	Elimination of intercompany transactions	Consolidation adjustments	Total
External interest income	3 945	173	392	176	-	-	4 686
Internal interest income	31	2	-	-	(33)	-	-
External interest expense	(1 860)	(55)	(238)	(78)	-	-	(2 231)
Internal interest expense	(1)	(11)	(16)	(7)	35	-	-
Provision for loan impairment	(1 113)	(119)	(438)	(38)	2	-	(1 706)
Net interest income after provision for loan impairment	**1 002**	**(10)**	**(300)**	**53**	**4**	**-**	**749**
Fee and commission income	1 078	10	38	56	(7)	-	1 175
Fee and commission expense	(255)	(8)	(11)	(9)	7	-	(276)
Gains less losses arising from trading securities	(294)	-	-	-	-	-	(294)
Gains less losses arising from interest based derivatives	8	-	-	(1)	-	-	7
Gains less losses from trading in foreign currencies	(1 966)	(58)	135	28	(2)	1 995	132
Foreign exchange translation gains less losses	1 742	58	(148)	23	-	-	1 675
Gains less losses arising from investments available for sale	(25)	(2)	(3)	-	-	-	(30)
Gains less losses arising from acquisition of own debts	6	-	-	-	-	-	6
Gain on bargain purchase	106	-	41	-	-	-	147
Other provisions and impairment losses	(166)	2	(29)	-	-	-	(193)
Investment property revaluation and gains less losses	-	-	1	-	-	-	1
Net gains on disposal of subsidiaries	-	-	-	17	-	-	17
Share of result of associate	-	-	3	-	-	-	3
Other operating income	11	2	41	120	(130)	-	44
Operating expenses	(1 180)	(51)	(178)	(95)	-	-	(1 504)
Segment profit before tax	**67**	**(57)**	**(410)**	**192**	**(128)**	**1 995**	**1 659**
Income tax expense	11	10	5	(9)	-	(411)	(394)
Segment profit for the year	**78**	**(47)**	**(405)**	**183**	**(128)**	**1 584**	**1 265**

Consolidation adjustments are represented by elimination in the consolidated financial statements of the Group of hedge accounting applied by a subsidiary (Note 38).

30 Segment Analysis (Continued)

Segment information for the reportable segments for the year ended 31 December 2013 and reconciliation of segments' profits/losses for the year ended 31 December 2013 to the total profit for the year ended 31 December 2013 is set out below:

In millions of US Dollars	ABH Financial	ATB	ABH Ukraine	Other	Elimination of intercom-pany transac-tions	Total
External interest income	3 882	175	444	157	-	4 658
Internal interest income	41	3	-	-	(44)	-
External interest expense	(1 727)	(73)	(259)	(91)	-	(2 150)
Internal interest expense	(3)	(7)	(27)	(8)	45	-
Provision for loan impairment	(542)	(23)	(49)	(12)	2	(624)
Net interest income after provision for loan impairment	**1 651**	**75**	**109**	**46**	**3**	**1 884**
Fee and commission income	1 016	8	51	38	(8)	1 105
Fee and commission expense	(235)	(8)	(12)	(7)	7	(255)
Gains less losses arising from trading securities	(26)	-	-	-	-	(26)
Gains less losses arising from interest based derivatives	13	2	-	-	-	15
Gains less losses from trading in foreign currencies	(82)	38	(19)	24	2	(37)
Foreign exchange translation gains less losses	90	(31)	(2)	-	-	57
Gains less losses arising from investments available for sale	52	3	-	-	-	55
Gains less losses arising from acquisition of own debts	(4)	-	-	-	-	(4)
Other provisions and impairment losses	(35)	1	(5)	(1)	-	(40)
Investment property revaluation and gains less losses	-	-	(16)	-	-	(16)
Net gains on disposal of subsidiaries	-	-	5	-	-	5
Share of result of associate	-	-	(2)	-	-	(2)
Other operating income	16	3	30	153	(155)	47
Operating expenses	(1 354)	(44)	(178)	(93)	1	(1 668)
Segment profit before tax	**1 102**	**47**	**(39)**	**160**	**(150)**	**1 120**
Income tax expense	(241)	(7)	(2)	(8)	-	(258)
Segment profit for the year	**861**	**40**	**(41)**	**152**	**(150)**	**862**

Analysis of revenues by products and services

The Group's revenues are analysed by products and services in Notes 24, 25, 26 and 27.

Analysis of revenues by geographical areas

The majority of revenues of ABH Financial is attributed to customers in the Russian Federation. The majority of revenues of ATB is attributed to customers in CIS. The majority of revenues of ABH Ukraine is attributed to customers in Ukraine.

31 Financial Risk Management

At the level of the Group, there is a Board of Directors of the Company which serves as the supreme advisory and oversight body that sets the general direction for the strategic development of the Group as a whole as well as of its individual companies. The Board of Directors meets quarterly, and considers key strategic issues affecting the Group, such as the review of major financial and investment transactions, the critical evaluation of company performance, and the development of strong corporate governance and control mechanisms. Implicit in the Board of Directors deliberations are the consideration of various risks which affect the Group's invested capital. These Group-specific risks are discussed in further detail below.

Each of the subholdings of the Group has their own corporate and governance structures. As such, all business risks which are specific to a subholding are identified, measured, managed and controlled almost exclusively at the level of the Groups' subholdings by the corresponding advisory boards and/or the boards of directors, by Management and executive boards, by the risk management departments, by various committees (e.g. audit, credit, investment as well as others), and by internal audit, compliance, business process departments as well as other departments. Occasionally, due to their size or nature, specific risks are considered and discussed at the level of the Board of Directors of the Company, but for all intents and purposes, the identification, measurement, management and control of these risks are at the subholdings level.

Thus, the Group has two overall levels of risk with which it is concerned and which it manages: (i) Group-specific risks which arise as a result of the Group's role as an investor; and (ii) the multitude of subholding-specific risks which arise within the subholdings in which the Group invests as a result of their own business activities.

Management of Group-specific risks at the level of the Company

Risks are managed by the Board of Directors of the Company and also through a Group corporate centre. A Group corporate centre designs and implements appropriate governance and control procedures to analyse, evaluate, control and where sensible, accept risks. A culture of individual responsibility, effective communication and accountability create a disciplined, conservative and constructive culture of risk management and control. As an investor, the Group is exposed to four main risks: (i) market risk; (ii) legal and regulatory risk; (iii) reputation risk; and (iv) capital risk (Note 32).

Market risk. The Group defines market risk rather broadly to include equity price risk, investment liquidity risk, liquidity and interest rate risk, and foreign currency risk.

(a) *Equity price risk.* Equity price risk is the risk that the Group's investments are not profitable or do not develop properly and that the Group may be unable to realize their full potential. As an investor, the Group attempts to lower equity price risk by actively influencing and developing its companies. The primary means of doing this is through the following:

- Representation and active participation on the advisory boards and/or the boards of directors of the Group's companies and their committees;
- Appointing key management personnel and periodically evaluating them;
- Attracting independent, working directors;
- Considering major transactions above pre-defined limits;
- Reviewing and analyzing company budgets and financial results;
- Implementing and enforcing Group-wide standards and policy manuals for evaluation of investment decisions and strategic planning;
- Evaluating the Group's investments against benchmark indicators such as return-on-equity and assisting its companies in implementing effective system of key performance indicators;
- Reviewing and aligning of IT strategies with business objectives of the Group's companies;
- Developing motivation systems which align the goals of Management with those of the Group; and
- Where necessary, hiring of outside advisors to advise on issues of strategic importance.

31 Financial Risk Management (Continued)

(b) *Investment liquidity risk.* The Group defines investment liquidity risk as the ability to eventually exit its investments if necessary. If investment liquidity risk materializes, it jeopardizes the Group's ability to exit. At the same time, whenever the Group makes an investment the Group always knowingly accepts a degree of investment liquidity risk as the investment is often in a company which has not yet realized its potential.

Since increased investment liquidity invariably means diluting the Group's existing shareholding stake in a company, the Group is always eager to develop the company as much as possible before seeking outside investors. The Group's objective is to improve the attractiveness of its investments by undertaking the actions described above in equity price risk. Once a company reaches a certain development stage, the Group seeks interim cash flows from its companies in the form of dividends to compensate for the illiquidity of its investments.

(c) *Liquidity and interest rate risk.* Liquidity risk is the risk that the Group is unable to attract funds (mainly in the form of debt) to fund attractive investment or refinance existing debt. Interest rate risk is the risk that interest rates may change and that an increase in interest rates will translate to increased borrowing costs for the Group. Changes in both liquidity risk and interest rate risk may be due to either macro (market) conditions or micro (company-specific) conditions. While market-induced liquidity conditions and interest changes are outside of its control, the Group seeks to maximize its ability to borrow as inexpensively as possible.

(d) *Foreign currency risk.* The Company's main investments are shares in its subsidiaries. Some holdings are investments which are denominated in a currency or use a functional currency other than the US Dollar. This is a form of structural currency risk which the Group is comfortable with.

Legal risk and regulatory risk. The Group defines legal risk as contractual risk, litigation risk and structuring risk. Regulatory risk includes legislative and similar risks.

(a) *Contractual risk.* Contractual risks are potential difficulties in enforcing or defending contractual provisions or differing interpretations by the parties to a contract.

(b) *Litigation risk* exposure transpires mainly from the contractual risks or from third-party litigation risks which arise from time to time with partners and other aggrieved third parties. Litigation risks generally manifest themselves as the Group being unable to successfully defend or act appropriately in regards to a position or claim made against or by the Group. It also includes the Group's inability to take action or enforce their rights through the courts. Any claims, litigations or threatened claims or litigations are communicated to appropriate and relevant persons in the Group (including relevant legal departments, the Group's representatives, and board of directors members). The Group generally handles contractual agreements and litigations by engaging top external legal advisers. As litigation claims against the Group often name multiple parties and usually involve its companies as a co-claimant or co-defendant, the legal departments in the Group's companies often take the lead in litigation matters and are advised by top legal advisers. Generally, the culture of the Group dictates that contractual and litigation claims are handled aggressively, as a matter of course. All material or complex contractual agreements and litigation proceedings involving the Group are discussed and considered on the Board of Directors of the Group, or on the advisory boards and/or the boards of directors of the Group's companies when such matters involve Group companies.

(c) *Structuring risk.* Structuring risk is the risk that the legal and tax structure of the Group are not properly controlled resulting in undue legal and/or tax risks. The Group's companies are required to receive permission for opening or closing of companies from the corporate center, and/or approval from the companies' boards of directors depending upon the expected size and nature of activity of the change to the legal structure of the Group. Additionally, the Group companies' advisory boards are informed of changes and advise the Group companies' boards of directors as necessary with regard to changes to their legal or tax structure. Significant legal and tax restructurings are usually advised by top legal advisers and/or accounting firms.

31 Financial Risk Management (Continued)

(d) *Regulatory risk.* Regulatory risk is the risk that unfavourable legislation could be enacted which could harm the Group's businesses. Regulatory risk is also the imposition of excessively burdensome administrative or regulatory hurdles which impede the conduct of business (e.g. licensing, anti-competition regulation). This risk may also include the selective application and enforcement of legislation and regulation on the Group's companies. As such, regulatory risk is a pervasive risk which impacts all of the Group's companies in the markets where they operate. The Group's companies seek to predict and manage these risks in advance of new or the enforcement of existing legislation, regulation or administrative rules. In general, the Board of Directors members, persons in the Group's companies responsible for government relations and outside advisers, are all involved in working through legal, appropriate channels to lobby for changes in legislation and navigate regulation and administrative rules.

Reputation risk. The safeguarding of the Group's reputation is of very high importance to the continued prosperity of the Group and its companies. As the "Alfa" brand name is a "flagship" name in the Group's businesses and demands the trust of clients, any damage to the "Alfa" name, by any of its companies will also impact other investments of the Shareholders. Reputational risks can arise from any number of factors including environmental, social or governance issues, legal and other disputes, frauds and yellow journalism.

While most of the reputational risks are handled by the various formal structures in the Group's companies, reputational risks arise from time to time which are handled at the Group level. Generally, disputes arising at the level of the Group are managed by the Board of Directors with assistance from outside professional advisers or sometimes by companies within the Group which have the requisite expertise.

Capital risk. Refer to Note 32.

Management of the Company-specific risks at the level of the subholdings

The Group's risk management is decentralised to the levels of its subholdings in Russia, Ukraine, Kazakhstan and Belarus and sometimes to their subsidiaries. The Group's subholdings are exposed to a variety of risks which arise from conducting their own specific business activities. The Group's subholdings systematically exploit the opportunities available to them to achieve their growth targets without losing sight of the related risks. The risk management functions within the Group subholdings are carried out in respect of financial risks (interest rate, liquidity, market, credit, currency) as well as geographical, operational and legal risks. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits while assisting it in achieving an optimal level of risk-return of its operations. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational and legal risks. The Group subholdings' individual risk management programmes focus on the unpredictable nature of financial markets and seek to minimise potential adverse effects on financial performance. The Group subholdings' boards of directors, as well as special-purpose committees, set, analyse and approve acceptable levels of financial risk which may be taken by the Group subholdings.

The Group subholdings approach to managing risks is composed of three key elements: (a) risk governance, (b) risk identification, and (c) risk assessment, management and control.

Risk governance. The subholdings' Boards of Directors have overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and approving significantly large exposures.

Audit Committees are responsible for overseeing the internal control framework, assessing the adequacy of risk management and compliance policies and procedures. It convenes regularly and provides recommendations to the Board of Directors of subholdings on development of the risk management framework as well as its views on the quality of risk management and compliance.

31 Financial Risk Management (Continued)

Boards of Directors and Executive Boards are responsible for monitoring and implementation of risk mitigation measures and making sure that the Group companies operate within the established risk parameters.

Strategic Risk Committees (SRC) are responsible for considering core Risk Management principles and policies, approving the statistical models of default probabilities (PD models) and validation reports for these models. SRC are the superior committees for Risk Management function. They establish and regulate the frameworks of Risk Management for the most material risks and set limits for exposure to risks which aren't in competence of other risk committees. SRC decision could be rejected only by subholdings' Executive Boards.

Risk Management Departments of subholdings are responsible for the overall risk management functions, ensuring the implementation of common principles and methods for identifying, measuring, managing and reporting risks.

Credit, market and liquidity risks at both portfolio and transaction levels are managed and controlled through a system of Credit Committees and through Treasury Departments, Risk Management Departments, Retail Risk Management Departments and Asset and Liability Management Committees ("ALCO"). In order to facilitate efficient decision-making, subholdings have established a hierarchy of Credit Committees depending on the type and amount of the exposure. Risk Management Departments deal with credit risk for corporate clients, financial institutions, small and medium-size enterprises, along with market risk and operational risk. Retail Risk Management Departments deal with credit cards, personal instalment loans, car loans, consumer loans and mortgages. Department's structures are geared to bring focus on proactive portfolio management and to perform an extensive program of risk management processes and models improvements with ultimate goal to satisfy Basel II standards for Risk Management.

Bad debts are managed through Problem Loans Departments and Problem Loans Committees which are independent from Risk Management Departments of subholdings. Problem Loans Committees consider and approve the strategy of problem loans workout. Problem Loans Departments implement the approved strategy. These units report to Chairmans of Executive Boards and Main Credit Committees. For the retail business, bad debt management departments are part of the Operations and executes the bad debt management strategy developed by Retail Risk Management Divisions.

Risk identification. Both external and internal risk factors are identified and managed throughout the Group subholdings' organisational structures. Particular attention is given to developing risk overviews that are used to identify the full range of risk factors and serve as a basis for determining the level of assurance over the current risk mitigation procedures.

Apart from the standard credit and market risk analysis, the Risk Management Departments or equivalent bodies monitor financial and non-financial risks by holding regular meetings with operational units in order to obtain expert judgments in their areas of expertise. An overview of the key risks is regularly reported to the Group subholdings' boards of directors.

Risk assessment, management and control. The risk assessment, management and control procedures vary by type of risk, but share where appropriate common methodology. Compliance with the approved standards is supported by periodic reviews undertaken by the Internal Audit Departments. The results of Internal Audit reviews are discussed with Management of the business unit to which they relate and presented to the audit committees and the senior management.

31 Financial Risk Management (Continued)

Credit risk. Credit risk is the risk of loss associated with the failure of a debtor or counterparty to fulfil its financial obligations to the Group in accordance with their relevant contractual terms including, but not limited to, a failure to repay amounts due, when due. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or group of borrowers as well as to industry sectors, etc. Such risks are monitored on an ongoing basis and are subject to regular review. Executive Boards of subholdings regularly approve limits on the level of credit risk by product, borrower and industry sectors.

The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on and off-balance sheet exposures and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and principal repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed, in part, by obtaining collateral and corporate and personal guarantees. In the retail area credit risk assessment is based on use of statistically developed and validated models. These models are used in conjunction with verification procedures before credits are approved.

The Group's subholdings define their risk appetites by approving Lending Policies, assigning authority to decide on risk taking issues to committees, and granting specific approval of large transactions. Lending Policies set forth the framework for monitoring exposure to credit risk, including portfolio concentration limits and definition of responsibilities.

As the situation in region economy (Note 2) has been deteriorating during the year 2014, the Group's Lending Policies have been reviewed twice during the year. As a result, lending requirements for several industrial sectors and standard covenants for borrowers were tightened and lending in certain, construction related, sectors was ceased. In addition, overall portfolio concentration limits for sectors the Group considered to have elevated risk were reduced.

Credit committees are responsible for approving credit exposures. Each credit committee conducts its activity based on special instructions approved by Executive Boards or Boards of Directors of subholdings.

- Depending on the magnitude of credit risk, the decisions on transactions with corporate clients are approved either by Main Credit Committees or Supplementary Credit Committees. The ceiling of risk level is approved by Executive Boards. These committees convene weekly and their members are representatives of Business Departments, Risk Management Departments, Legal Departments, Treasury Departments and other relevant departments. The membership of the committees reflects the balanced approach to credit risk undertaken. In certain circumstances (for example, based on tenor or size) loans approved by Main Credit Committees are required to be approved by Executive Boards or Board of Directors.
- Retail Credit Committees monitor the performance of the retail portfolio and trends for future consideration. The retail lending portfolio includes the following classes of loans to individuals: credit cards, personal instalment loans, car loans, consumer loans, mortgages. Retail Credit Committees approve new retail credit products, effective margins on all retail products, control the provisioning level for the retail portfolio and write offs for the retail portfolio and make other decisions regarding retail lending. Committees convene monthly.

Credit process. In corporate wholesale lending, all transactions undergo a standardized underwriting procedure, including a thorough examination of a prospective borrower's creditworthiness, quality of proposed collateral and transaction's structure compliance with the Group's policies and limits. In the retail area, all credits are approved using credit scores housed in credit systems and verification procedures. The credit process in this area is highly automated and is monitored on an ongoing basis.

31 Financial Risk Management (Continued)

Credit Departments examine a probable transaction thoroughly with special attention being paid to the analysis of financial stability, cash-flow adequacy, long-term viability, credit history, competitive position and quality of collateral. During 2014 the analysis of the borrowers' creditability was focused on the borrowers' cash-flows, robustness and stability, business model viability and industry prospects were still scrupulously analysed. Based on the assessment of the transaction's and borrower's risks, an internal rating is assigned to the borrower.

In accordance with the internal rating methodology for the purposes of impairment provisioning the transaction is assigned a rating category from A to E:

- Rating A – top rated borrower: the rating is assigned to credit transactions with minimum credit risk due to optimal financial condition, low debt burden or great safety cushion of cash flows and low risks of industry the borrower operates in;

- Rating A- – good borrower: the rating is assigned to high quality credit transactions of robust borrowers with low debt burden and sound financial condition;

- Rating B – standard borrower: the rating is assigned to standard quality credit transactions; assignment of such rating usually means low probability of default due to an optimal combination of financial condition, debt burden and industry risk factors of the borrower;

- Rating B- – acceptable borrower with stable outlook: stable quality credit transaction; assignment of such rating usually means borrower of a high industry risk with robust and stable financial condition or acceptable but not optimal debt burden;

- Rating C – acceptable borrower with unstable outlook: assignment of such rating usually means acceptable but non optimal debt burden or high industry risk while financial condition of the borrower is still acceptable;

- Rating C- – unsatisfactory borrower: the rating assumes that borrower has high debt burden or high industry risk or unsatisfactory financial condition;

- Rating D – weak borrower: low quality credit transaction; such transactions have rather high probability of default because of the poor quality of borrower's financial condition, high debt burden and industry risk;

- Rating E – non-viable transaction; credit risk of the transaction is estimated as high, the incentive to grant such loans usually lies beyond the usual parity of risk and rewards. The Group normally does not enter into transactions with initial rating E.

During the year 2014 a set of PD models for some segments of corporate borrowers have been developed, implemented in IT systems and introduced into the business process due to the Group's intention for further improvement of Risk Management process.

Risk Management Departments of subholdings review the analysis and the appropriateness of the ratings assignment and draw conclusions. The conclusion of Risk Management Departments and the financial analysis of the client are given to the consideration of the relevant Credit Committees. Credit Committees review the loan applications for approval of a credit limit on the basis of information provided. A limit is proposed to accommodate the exposure to a client within the guidelines set for maximum customer exposure and concentration limits.

31 Financial Risk Management (Continued)

For the purposes of more efficient credit risk management, the Group stratifies the corporate loan portfolio to the following pools:

- Current loans pool includes current loans, technically overdue loans and loans overdue for less than 14 days.
- Watch-list loans pool includes loans which demonstrated early signs of possible future deterioration of credit quality.
- Problem loans pool includes loans which are considered to be impaired and loans overdue for more than 14 days. Problem loan pool is managed by Problem Loans Committees of the Group's subholdings.

Retail lending decisions are based on acceptance through use of credit and fraud scores. The application and fraud scores are bespoke developments based on internal lending performance history. The scores are developed based on historical performance which is available only after a statistically significant number of transactions. The scores are administered in a secure automated environment, all approve/decline decisions are subject to risk determined cut offs, and no overrides are permitted. The scores are monitored for their stability and effectiveness every month and suitable amendments are made should there be a need.

Retail lending procedures are amended from time to time to reflect reaction to the economic climate by way of calibrating score acceptance cut offs, credit limits and permissible debt burden ratios, and verification standards before approval. In addition to this, behavior scoring was introduced in 2010 with a view to optimise upsell and collection process. This has enabled the Group to be more responsive to customer expectations and being more competitive, in all areas of retail lending.

The analysis of financial assets other than loans and advances to customers by credit quality is based on their stratification by three categories:

Category I is assigned to counterparties with the best credit quality. In particular, ABH Financial includes within Category I balances with counterparties assigned with the highest limits:

- above USD 100 million for investments available for sale and investments held to maturity;
- above USD 50 million for trading securities; and
- above USD 200 million for due from other banks.

Category II is assigned to counterparties with good credit quality. In particular, ABH Financial includes within Category II balances with counterparties assigned with the following limits:

- from USD 50 million to 100 million for investments available for sale and investments held to maturity;
- from USD 10 million to 50 million for trading securities; and
- from USD 100 million to 200 million for due from other banks.

The balances with the rest of counterparties are included in Category III.

Monitoring. The level of credit risk exposure of the Group is subject to a monitoring process. Exposure to credit risk is managed by the subholdings' Credit Departments through regular analysis of the ability of borrowers and potential borrowers to meet interest and principal repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed, in part, by obtaining collateral and corporate and personal guarantees. Credit Departments identify potentially problematic deals using an unambiguous set of criteria to assign a problem status to a transaction, as well as escalation procedures based on problem status. Any significant exposures to a customer with a deteriorating creditworthiness are reported to and reviewed by the relevant Credit Committee.

31 Financial Risk Management (Continued)

Relationship managers and credit managers visit clients monthly/quarterly/semi-annually depending on credit quality of the customers and magnitude of the exposure. Analysis of clients' sales, margins and loan portfolio dynamics is carried out on a monthly or quarterly basis depending on the borrower's risk profile.

Monitoring of retail portfolios is conducted by the subholdings' Retail Risk Management Departments every month end or earlier based on the need. Such monitoring includes tracking the following indicators: approval/decline rates across products/customer segments; delinquency (both lagged and coincident); roll rates (transition of overdue balances across various stages); contact and promise rates to track collection efficiency; vintage loss rates by product and origination; special pilot programs; sector caps identified for each of the retail portfolios; charge off rates across each of the product portfolios; recoveries for each of the product portfolios; application scorecard stability; and performance across products where such cards are used; and efficiency of the verification segmentation. The above monitoring focuses on risk adjusted margins, with a view to optimise profitability of retail portfolios.

Portfolio concentration limits are checked on a weekly basis and reported to the subholdings' Main Credit Committees, as well as situations where limits utilization is close to maximum. Main Credit Committees ensure that the impact of new transactions on the concentration within the portfolio is commensurate with the Group's risk appetite and portfolio limit structure. The Group pays attention to the workout of problem loans, which are subject to weekly reporting to Main Credit Committees.

On a weekly basis the subholdings' Problem Loans Committees monitor the problem loans: the perspectives of repayment, repossessing collateral, legal processes on collection cases, restructuring terms, claiming for additional collateral to secure loans.

Credit risks related to interbank operations mainly arise as a result of exposures to counterparties being unsecured, notwithstanding that such exposures typically have relatively short-term maturities (which generally range from several hours up to one month, with an average duration of one week).

The Group sets separate limits for counterparty banks based on its evaluation of their financial statements and on any available non-financial information (such as information on the borrowers' shareholders, customers, quality of management, market position, concentration of activity and growth rate).

Control. There is a control environment established in the Group, in which all of its activities relating to credit exposure are taking place. The purpose of the implemented controls is to ensure a strict adherence to the Group's policies and procedures. The Group has implemented control mechanisms that promote the delivery of effective risk management.

Such mechanisms include:

(i) producing regular portfolio monitoring reports and regularly presenting those to the relevant subholdings' Credit Committees,

(ii) setting credit policy core principles that govern the detailed department-level policies,

(iii) subjecting policies to regular review,

(iv) establishing lending guidelines that provide for a disciplined and focused approach to decision-making,

(v) using statistically-based decision-making techniques such as credit scoring for retail portfolios, and

(vi) continuous monitoring by the subholdings' Risk Management Departments to measure effectiveness and administer changes as required.

Credit risk mitigation. The Group uses a wide range of techniques to reduce credit risk on its lending operations managing both individual transaction loss drivers, such as probability of default, loss given default and exposure at default, and systemic risk drivers on a portfolio basis.

31 Financial Risk Management (Continued)

At transaction level, an assessment of a borrower's ability to service the proposed level of debt is performed. Also the Group obtains collateral, such as a mortgage, pledge of assets, or floating charge over inventories. Various forms of legal protection are used, such as netting agreements and covenants in commercial lending agreements, and credit enhancements techniques.

Credit exposure is a subject of active management. Procedures are in place that ensure timely recognition and prompt reaction to transactions showing signs of deterioration. Responses include reduction of the exposure, obtaining additional collateral, restructuring, or other steps, as appropriate.

A credit risk premium is incorporated in risk assessment and lending decisions. The risk premium seeks to provide a fair compensation for the amount of each credit risk assumed by the Group.

At a portfolio level, diversification is managed to avoid excessive concentrations. Portfolio concentration limits include: (i) maximum exposure per borrower limit, (ii) industry concentration limit, (iii) loan maturity concentration limit, (iv) concentration on one customer and concentration on the state related customers for contracting customers, (v) unsecured lending limit and (vi) internal rating limit. The latter two limits are non-obligatory but subject to monitoring and reporting. Portfolio concentration limits are set to protect against unwanted concentration risk.

Market risk. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The Board of Directors of each of the Group subholdings sets limits on the value of risk that may be accepted, which is monitored on a regular basis (daily). However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

The subholdings manage its market risk through notional-based and risk-based limits. Exposure through loans, deposits, current accounts, and other non-trading operations and retail operations to market risks is managed through the system of limits. The exposure to the market risk of investment operations is managed through market value, value at risk ("VaR") limits and extreme loss limits which are set for subholdings' aggregated positions in equities, fixed income, foreign currency and derivative instruments. Sub-limits are set for exposures to various types of securities (including both equity and debt securities) and markets and position limits for issuers and individual instruments.

Limits on securities positions are approved by the subholdings' ALCO. Additional issuer limits on debt securities are approved separately by the relevant subholdings' Credit Committees.

The Group's derivative operations are driven by two major factors: (i) the need of the Group to hedge its own risks, principally using foreign currency, securities and interest rate derivatives, and (ii) customer demand, principally for foreign currency, securities and commodities derivatives.

Risk-based limits are monitored on a daily basis by the Risk Management Department with respect to individual (foreign currency, equity, fixed income, derivatives) trading desks.

Equity price risk. As noted above, for the purpose of quantifying the Group's equity price risks which is attributed to investment banking trading position only, the Group uses a VaR model.

As at 31 December 2014 the Group's equity price risk VaR is limited at USD 8 million (2013: USD 10 million) (limit set by ALCO).

Operational risk is defined as risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk.

In managing operational risk the Group adheres to the principles established by central banks' regulations, as well as to the recommendations of the Basel Committee on Banking Supervision.

31 Financial Risk Management (Continued)

Activities of the Group's operational risk management includes: identification, assessment, monitoring, control and/or minimization of the Group's exposure to operational risk as well as the distribution of responsibilities and authorities to manage operational risk. Information on realised operational risks and losses are collected in the Group's own loss database system. In order to identify potential operational risks the Group performs risk and control self-assessment of different types of transactions and activities. For operational risk monitoring and prevention the Group uses key risk indicators.

The main principles and instruments of operational risk minimisation are defined by the Group's Operational Risk Management Policies.

Subholding's Operational Risk Steering Committees, which meet monthly, monitor the level of operational risk, coordinate the operational risk management and approve procedures for operational risk identification.

Currency risk. In respect of currency risk, the subholdings' Treasury Departments are responsible for the decentralised management of the currency risk of the Group on the subholdings' level. The subholdings' ALCOs sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily by the subholdings' Treasury Departments based on the management reports provided on open currency position. The Group uses derivatives to manage current and forecast exposures resulting from foreign currencies. The table below summarises the Group's exposure to currency risk as at 31 December 2014:

In millions of US Dollars	USD	RR	EUR	Other	Total
Monetary financial assets	23 215	17 641	3 508	1 644	46 008
Monetary financial liabilities	(18 661)	(17 973)	(4 123)	(1 564)	(42 321)
Net balance sheet monetary position	**4 554**	**(332)**	**(615)**	**80**	**3 687**
Net balance sheet monetary position less fair value of foreign exchange derivatives	**4 398**	**(389)**	**(431)**	**180**	**3 758**
Foreign exchange derivatives (fair value of currencies receivable or payable) (Note 38)	(442)	416	303	(348)	(71)
Net balance sheet monetary and derivatives position as at 31 December 2014	**3 956**	**27**	**(128)**	**(168)**	**3 687**

The table below summarises the Group's exposure to currency risk as at 31 December 2013:

In millions of US Dollars	USD	RR	EUR	Other	Total
Monetary financial assets	18 990	26 433	3 922	2 374	51 719
Monetary financial liabilities	(15 886)	(25 110)	(4 035)	(2 396)	(47 427)
Net balance sheet monetary position	**3 104**	**1 323**	**(113)**	**(22)**	**4 292**
Net balance sheet monetary position less fair value of foreign exchange derivatives	**2 812**	**1 326**	**(235)**	**294**	**4 197**
Foreign exchange derivatives (fair value of currencies receivable or payable) (Note 38)	915	(1 173)	589	(236)	95
Net balance sheet monetary and derivatives position as at 31 December 2013	**3 727**	**153**	**354**	**58**	**4 292**

31 Financial Risk Management (Continued)

Derivatives in each column represents fair value, at the end of the reporting period, of the respective currency that the Group agreed to buy (positive amount) or sell (negative amount) before netting of positions and payments with the counterparty. The above analysis includes only monetary assets and liabilities. Investments in equities and non-monetary assets are not considered to give rise to any material currency risk.

Sensitivity analysis presented below indicates the potential effect of the change in foreign exchange market conditions on the profit or loss for the year. Risk arising out of translation of the financial statements of subsidiaries into the presentation currency of the Group is excluded from the sensitivity analysis. The following table presents sensitivities of profit or loss to reasonably possible changes in exchange rates applied at the end of the reporting period, with all other variables held constant.

As at 31 December 2014 and 2013 if either of below presented rates changed, this would have affected the profit or loss for the year (pre-tax) of the Group in the following way:

In millions of US Dollars	USD/RR	USD/EUR	EUR/RR	USD/UAH
31 December 2014				
+ 30% change in foreign exchange rates	1 264	(249)	(388)	(46)
- 30% change in foreign exchange rates	(1 264)	249	388	62
31 December 2013				
+ 10% change in foreign exchange rates	232	(11)	(36)	2
- 10% change in foreign exchange rates	(232)	11	36	6

Refer to Note 2 for information on volatility of exchange rates in countries of the Group's operations.

Interest rate risk. The Group is exposed to interest rate risk, principally as a result of lending to customers and other banks at fixed interest rates in amounts and for periods that differ from those of term deposits and debt securities in issue at fixed or variable interest rates. Due to changes in interest rates, the Group's liabilities may have disproportionately high interest rates compared to those of its assets and vice versa. One of the Group's objectives is to minimize losses from unexpected negative changes in interest margins. The Group uses interest rate swaps to hedge its exposure to interest rate risk.

31 Financial Risk Management (Continued)

The table below summarises the Group's exposure to interest rate risks. The table presents the aggregated amounts of the Group's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates.

In millions of US Dollars	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	Non-monetary	Total
31 December 2014						
Total financial assets	13 625	9 695	4 626	18 062	67	46 075
Total financial liabilities	(17 359)	(9 004)	(8 021)	(7 937)	-	(42 321)
Effect of interest based derivatives	644	(100)	(100)	(444)	-	-
Net interest sensitivity gap as at 31 December 2014	**(3 090)**	**591**	**(3 495)**	**9 681**	**67**	**3 754**
31 December 2013						
Total financial assets	13 313	12 851	6 358	19 197	112	51 831
Total financial liabilities	(22 109)	(11 900)	(5 853)	(7 565)	-	(47 427)
Effect of interest based derivatives	76	(5)	(18)	(53)	-	-
Net interest sensitivity gap as at 31 December 2013	**(8 720)**	**946**	**487**	**11 579**	**112**	**4 404**

Refer to Note 38 for the information on interest rate derivatives used to manage the Group's interest rate exposure.

The Group's interest rate risk is managed by Treasury Departments of respective subholdings within the limits set by ALCOs. Such limits are monitored on a weekly basis by the Assets Liabilities Management units of Treasury Departments of respective subholdings. Treasury Departments of respective subholdings also uses foreign exchange forwards to manage interest rate positions in different currencies and interest rate derivatives such as USD and RR interest swaps.

For the year ended 31 December 2014, if interest rates at that date had been 300 basis points (2013: 100 basis points) higher/lower, with all other variables held constant, pre-tax profit would have been USD 99 million higher/lower (2013: USD 20 million higher/lower), mainly as a result of higher interest income on loans and advances to customers. Other components of equity (also pre-tax) would have been USD 45 million lower/higher (2013: USD 9 million lower/higher), as a result of change in the fair value of fixed interest rate debt investments classified as available for sale.

31 Financial Risk Management (Continued)

The Group monitors interest rates for its financial instruments. The sign "-" in the table below means, that the Group does not have the respective assets or liabilities in corresponding currency. The table below summarises interest rates as at 31 December 2014 and 2013:

	2014				2013			
% per annum	USD	RR	Euro	Other	USD	RR	Euro	Other
Assets								
Cash balances with central banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Correspondent accounts and overnight placements with financial institutions	0.0	14.1	0.1	0.0	0.1	4.5	0.0	1.3
Mandatory cash balances with central banks	-	0.0	0.0	0.0	0.0	0.0	0.0	1.5
Debt trading securities	6.8	8.4	7.2	-	6.7	9.7	9.1	-
Repurchase receivables relating to trading securities	6.2	8.9	4.1	-	7.4	8.8	6.2	-
Due from other banks	1.0	13.0	0.7	13.9	2.2	6.0	1.8	0.5
Loans and advances to customers	6.0	17.0	6.0	27.2	7.1	16.6	6.3	27.6
Debt investments available for sale	4.4	8.1	2.7	4.4	3.9	7.8	3.6	4.7
Debt investments held to maturity	6.0	12.0	2.0	-	7.5	-	1.4	-
Repurchase receivables relating to investments	5.0	9.0	-	-	-	-	-	-
Liabilities								
Due to other banks	2.0	12.1	1.8	19.0	3.9	6.1	1.1	14.7
Customer accounts								
- current and settlement accounts	0.4	1.5	0.7	2.6	0.3	1.4	1.0	4.3
- term deposits	2.1	12.5	2.5	18.2	2.1	7.8	3.2	15.8
Debt securities issued	7.1	10.0	5.6	4.6	5.8	8.4	5.9	10.6
Syndicated and other debt	-	15.6	-	-	4.2	-	-	-
Subordinated debt	7.9	7.5	-	-	7.4	7.7	-	-

Geographical risk concentrations. The geographical concentration as at 31 December 2014 of the Group's financial assets and liabilities is disclosed in tables below:

In millions of US Dollars	Russia	Europe	CIS	USA	Other	Total
Assets						
Cash and cash equivalents	3 045	1 319	250	756	56	5 426
Mandatory cash balances with central banks	251	36	3	-	-	290
Trading securities	657	10	1	2	6	676
Repurchase receivables relating to trading securities	339	-	-	-	-	339
Due from other banks	1 205	2 235	234	-	-	3 674
Loans and advances to customers	21 766	3 576	3 624	34	232	29 232
Investments	1 378	414	221	37	-	2 050
Repurchase receivables relating to investments	1 042	-	-	-	-	1 042
Derivative financial instruments	1 079	1 698	92	-	3	2 872
Other financial assets	351	19	69	-	25	464
Investments in associates	-	-	10	-	-	10
Total financial assets	**31 113**	**9 307**	**4 504**	**829**	**322**	**46 075**
Liabilities						
Due to other banks	6 794	1 446	201	72	196	8 709
Customer accounts	17 332	2 509	2 580	156	472	23 049
Debt securities issued	1 940	3 309	47	-	11	5 307
Syndicated and other debt	276	-	-	-	-	276
Subordinated debt	646	1 167	-	-	-	1 813
Derivative financial instruments	1 312	1 384	4	13	2	2 715
Other financial liabilities	391	36	19	3	3	452
Total financial liabilities	**28 691**	**9 851**	**2 851**	**244**	**684**	**42 321**
Net balance sheet position as at 31 December 2014	**2 422**	**(544)**	**1 653**	**585**	**(362)**	**3 754**

31 Financial Risk Management (Continued)

As at 31 December 2014 loans and advances to customers in caption "CIS" included USD 1 777 million (2013: USD 2 500 million) outstanding from Ukrainian borrowers. As at 31 December 2014 credit related commitments and performance guarantees related to Ukrainian customers amounted to USD 80 million (2013: USD 272 million).

The geographical concentration as at 31 December 2013 of the Group's financial assets and liabilities is disclosed in tables below:

In millions of US Dollars	Russia	Europe	CIS	USA	Other	Total
Assets						
Cash and cash equivalents	3 938	1 212	313	981	15	6 459
Mandatory cash balances with central banks	315	40	98	-	-	453
Trading securities	1 406	48	6	1	23	1 484
Repurchase receivables relating to trading securities	1 837	8	36	-	-	1 881
Due from other banks	437	2 670	193	-	61	3 361
Loans and advances to customers	28 681	2 132	4 615	25	549	36 002
Investments	981	192	263	-	17	1 453
Derivative financial instruments	80	247	71	-	5	403
Other financial assets	260	36	8	-	16	320
Investments in associates	-	3	12	-	-	15
Total financial assets	**37 935**	**6 588**	**5 615**	**1 007**	**686**	**51 831**
Liabilities						
Due to other banks	5 827	1 524	273	119	132	7 875
Customer accounts	23 130	3 024	3 122	33	668	29 977
Debt securities issued	3 071	3 467	83	-	1	6 622
Syndicated and other debt	32	320	-	49	-	401
Subordinated debt	1 098	959	-	-	-	2 057
Derivative financial instruments	35	146	11	-	21	213
Other financial liabilities	240	23	18	1	-	282
Total financial liabilities	**33 433**	**9 463**	**3 507**	**202**	**822**	**47 427**
Net balance sheet position as at 31 December 2013	**4 502**	**(2 875)**	**2 108**	**805**	**(136)**	**4 404**

CIS represents the countries of the Commonwealth of Independent States, of which the Group's primary exposures are in the Ukraine and Kazakhstan.

Assets and liabilities have generally been allocated based on the country in which the counterparty is located. Balances with Russian or CIS counterparties actually outstanding to/from foreign companies of these Russian or CIS counterparties are allocated to the caption "Russia" and "CIS" respectively. Cash on hand and precious metals have been allocated based on the country in which they are physically held.

Liquidity risk. Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw downs and from margin and other calls on derivative instruments. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. Liquidity risk is managed by the subholdings' Treasury Departments and ALCOs on the level of each of the subholdings.

31 Financial Risk Management (Continued)

The Group seeks to maintain a stable funding base comprising primarily amounts due to corporate and retail customer deposits, debt securities in issue and due to other banks and maintain an adequate diversified portfolios of liquid assets in order to be able to respond quickly and smoothly to unforeseen liquidity requirements. The liquidity management of the Group requires considering the level of liquid assets necessary to settle obligations as they fall due; maintaining access to a range of funding sources; maintaining funding contingency plans and monitoring liquidity ratios against regulatory requirements.

The subholdings' Treasury Departments prepare the liquidity profile of the subholdings' financial assets and liabilities and then build up adequate portfolios of short-term liquid assets, largely made up of short-term liquid trading securities, deposits with banks (including central banks) and other inter-bank facilities to ensure that sufficient liquidity is maintained within the Group's subholdings.

The daily liquidity position is monitored and regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions is performed by the subholdings' Treasury Departments. The subholdings' Treasury Departments run liquidity forecast models on a regular basis. Different scenarios are tracked: including or disregarding projected new lending. Information on the level of delinquencies that result in late payments is regularly updated for the liquidity forecast. ALCOs approve the increases of the limits for available for sale securities portfolios and liquidity cushions on the subholding level.

Payments in respect of gross settled forwards will be accompanied by related cash inflows as disclosed below. Customer accounts are classified in the below analysis based on contractual maturities. However, in most regulatory environments, in which the Group operates, individuals have a right to withdraw their deposits prior to maturity if they forfeit their right to accrued interest. All financial guarantees issued and import letters of credit were allocated to "Demand and less than 1 month" category since cash outflow relating to such instruments may happen any time.

The maturity analysis of undiscounted financial liabilities as at 31 December 2014 was as follows:

In millions of US Dollars	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**More than 1 year**	**Total**
Liabilities					
Due to other banks	3 132	2 575	2 908	299	8 914
Customer accounts – individuals	7 119	2 054	3 365	1 172	13 710
Customer accounts – other	6 531	1 601	1 181	759	10 072
Debt securities issued	80	1 432	515	5 874	7 901
Syndicated and other debt	-	3	3	1 066	1 072
Subordinated debt	-	51	83	2 425	2 559
Other financial liabilities	343	5	84	20	452
Gross settled swaps and forwards:					
- inflows	(4 445)	(2 121)	(506)	(883)	(7 955)
- outflows	4 299	2 638	536	762	8 235
Net settled derivatives with negative fair value	275	1 028	202	1	1 506
Financial guarantees issued	901	-	-	-	901
Import letters of credit	344	-	-	-	344
Undrawn credit lines	15	-	-	-	15
Total potential future payments for financial obligations	**18 594**	**9 266**	**8 371**	**11 495**	**47 726**

31 Financial Risk Management (Continued)

The maturity analysis of undiscounted financial liabilities as at 31 December 2013 was as follows:

In millions of US Dollars	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**More than 1 year**	**Total**
Liabilities					
Due to other banks	3 652	2 940	1 055	352	7 999
Customer accounts – individuals	8 090	4 373	2 311	1 666	16 440
Customer accounts – other	9 884	2 323	958	999	14 164
Debt securities issued	152	1 182	1 301	5 328	7 963
Syndicated and other debt	1	355	54	-	410
Subordinated debt	-	78	79	2 970	3 127
Other financial liabilities	274	5	-	3	282
Gross settled swaps and forwards:					
- inflows	(6 322)	(800)	(157)	(643)	(7 922)
- outflows	6 320	804	156	573	7 853
Net settled derivatives with negative fair value	67	9	15	-	91
Financial guarantees issued	807	-	-	-	807
Import letters of credit	441	-	-	-	441
Undrawn credit lines	175	-	-	-	175
Total potential future payments for financial obligations	**23 541**	**11 269**	**5 772**	**11 248**	**51 830**

The tables above show liabilities as at 31 December 2014 and 2013 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows, including gross finance lease obligations (before deducting future finance charges), prices specified in deliverable forward agreements to purchase financial assets for cash, contractual amounts to be exchanged under a gross settled currency swaps, and gross loan commitments. When the amount payable is not fixed, the amounts are determined by reference to the conditions existing at the reporting date. Foreign currency payments are translated using the spot exchange rate at the end of the reporting period.

Such undiscounted cash flows differ from the amounts included in the consolidated statement of financial position because the amounts in the consolidated statement of financial position are based on discounted cash flows. Net settled derivatives are included at the net amounts expected to be paid.

The Group does not use the above undiscounted maturity analysis to manage liquidity. Instead, the subholdings' Treasury Departments monitor expected maturities.

31 Financial Risk Management (Continued)

The following table represents analysis of assets and liabilities as at 31 December 2014 by their expected maturities:

In millions of US Dollars	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	No stated maturity	Total
Assets						
Cash and cash equivalents	5 426	-	-	-	-	5 426
Mandatory cash balances with central banks	290	-	-	-	-	290
Trading securities	676	-	-	-	-	676
Repurchase receivables relating to trading securities	322	5	12	-	-	339
Due from other banks	3 076	567	12	19	-	3 674
Loans and advances to customers	1 839	4 832	4 081	18 480	-	29 232
Investments	74	459	58	1 454	5	2 050
Repurchase receivables relating to investments	-	-	3	1 039	-	1 042
Derivative financial instruments	694	1 302	488	388	-	2 872
Other financial assets	130	96	-	223	15	464
Investments in associates	-	-	-	-	10	10
Total financial assets	**12 527**	**7 261**	**4 654**	**21 603**	**30**	**46 075**
Liabilities						
Due to other banks	3 100	2 495	2 824	290	-	8 709
Customer accounts	6 477	3 968	4 576	8 028	-	23 049
Debt securities issued	80	1 414	450	3 363	-	5 307
Syndicated and other debt	-	-	-	276	-	276
Subordinated debt	-	50	78	1 685	-	1 813
Derivative financial instruments	458	1 624	378	255	-	2 715
Other financial liabilities	343	5	84	20	-	452
Total financial liabilities	**10 458**	**9 556**	**8 390**	**13 917**	**-**	**42 321**
Net expected liquidity gap	**2 069**	**(2 295)**	**(3 736)**	**7 686**	**30**	**3 754**
Cumulative expected liquidity gap as at 31 December 2014	**2 069**	**(226)**	**(3 962)**	**3 724**	**3 754**	

The expected negative liquidity gap in "From 1 to 12 months" is expected to be covered by (1) attracting new and maintaining existing customer accounts, (2) funding through repo transactions with investments and (3) funding from the CBRF under secured lending and other programmes.

As at 31 December 2014 Alfa-Bank Ukraine breached certain debt covenants stated in financing agreements (Note 33). The carrying amount of liabilities under respective agreements as at 31 December 2014 was USD 325 million. Management of the Group believes that the breach will not lead to request from the creditors to make earlier repayment of the respective liabilities or other liabilities subject to cross default provisions. Therefore the respective liabilities were disclosed in the table above based on their initial contractual maturities.

31 Financial Risk Management (Continued)

The following table represents analysis of assets and liabilities as at 31 December 2013 by their expected maturities:

In millions of US Dollars	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	No stated maturity	Total
Assets						
Cash and cash equivalents	6 459	-	-	-	-	6 459
Mandatory cash balances with central banks	453	-	-	-	-	453
Trading securities	1 484	-	-	-	-	1 484
Repurchase receivables relating to trading securities	1 435	85	361	-	-	1 881
Due from other banks	1 255	1 953	128	25	-	3 361
Loans and advances to customers	3 327	7 551	6 213	18 911	-	36 002
Investments	58	147	52	1 189	7	1 453
Derivative financial instruments	87	56	10	250	-	403
Other financial assets	130	2	51	114	23	320
Investments in associates	-	-	-	-	15	15
Total financial assets	**14 688**	**9 794**	**6 815**	**20 489**	**45**	**51 831**
Liabilities						
Due to other banks	3 648	2 889	1 009	329	-	7 875
Customer accounts	8 222	7 158	3 575	11 022	-	29 977
Debt securities issued	152	1 149	1 233	4 088	-	6 622
Syndicated and other debt	-	350	51	-	-	401
Subordinated debt	-	76	73	1 908	-	2 057
Derivative financial instruments	107	21	16	69	-	213
Other financial liabilities	274	5	-	3	-	282
Total financial liabilities	**12 403**	**11 648**	**5 957**	**17 419**	-	**47 427**
Net expected liquidity gap	**2 285**	(1 854)	**858**	**3 070**	**45**	**4 404**
Cumulative expected liquidity gap as at 31 December 2013	**2 285**	**431**	**1 289**	**4 359**	**4 404**	

The above tables represent analysis of assets and liabilities by their expected maturities as determined by the Group. This analysis was prepared on the basis of contractual maturities except for adjustments in relation to (i) trading securities and (ii) part of customer accounts. The entire portfolio of trading securities was classified within "demand and less than 1 month" based on the Management's assessment of the portfolio's realisability. Part of current/settlement/demand accounts was reallocated from "demand and less than 1 month" category to baskets with later maturities. On the basis of past experience Management believes that (i) diversification of these accounts by number and type of customers and (ii) constant inflow of new deposits indicate that at least these current/demand/settlement accounts would provide a long-term and stable source of funding for the Group.

No stated maturity assets and liabilities are expected to be recovered or settled after twelve month after the reporting period.

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the amount of the commitments because the Group does not generally expect the third party to draw funds under the agreement. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded. The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Group. It is unusual for banks ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest and exchange rates.

32 Management of Capital

Capital at the Group level. The Group defines capital as equity as shown in the consolidated statement of financial position. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to provide adequate risk-adjusted returns for shareholders. In order to maintain or adjust the capital structure, the Group may return capital to shareholders from profit in the form of dividends or capital, may optimize debt levels and may, although rare, accept new capital.

The Group's subsidiaries main objectives when managing capital are:

- to comply with the capital requirements set by the respective central banks and debt covenants;
- to safeguard ability to continue as a going concern;
- to provide adequate risk-adjusted returns for shareholders;
- and to maintain a sufficient capital base to achieve a capital adequacy ratio based on Basel I (International Convergence of Capital Management and Capital Standards dated July 1988 (as subsequently amended and updated)) of at least 8%.

Capital adequacy ratio is monitored daily for compliance with the requirements set by the respective central banks and monthly for other objectives of capital management. The subsidiaries consider total capital under management to be equity as shown in the statement of financial position. Management monitors and targets return on equity based on the monthly budgets. Any variances between the budgets and actual results are quantified and followed up. Subsidiaries' policies of capital management are designated to maintain a sufficient capital base to keep the confidence of investors, creditors, other market participants and to secure the future development. Subsidiaries plan their capital needs to be able to comply with both the central banks' requirements and Basel I with a one year horizon. Subsidiaries perform medium and long-term planning of growth in the asset side considering sufficiency of capital. When necessary, subsidiaries develop and implement measures to increase their capital bases. The Group monitors use of capital by the subsidiaries.

Some individual entities of the Group are also subject to covenants stated in various loan agreements, including capital adequacy calculated in accordance with Basel I.

Except Alfa-Bank Ukraine (Note 33), the Group and its subsidiaries were in compliance with all externally imposed capital requirements during 2014 and 2013.

33 Contingencies and Commitments

Legal proceedings. From time to time and in the normal course of business, claims against the Group are received. As at 31 December 2013 such claims included a customer's claim in the amount of USD 47 million which was resolved during 2014 without any material payments by the Group. On the basis of its own estimates and both internal and external professional advice, Management is of the opinion that no material losses will be incurred in respect of claims and accordingly no provision has been recorded in these consolidated financial statements as at 31 December 2014 (2013: USD 6 million).

Tax contingencies. A significant part of operations of the Group is undertaken in the Russian Federation. Russian tax legislation (including changes enacted at the end of the reporting period), is subject to varying interpretations when being applied to the transactions and activities of the Group. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be challenged by relevant authorities. Russian tax administration is gradually strengthening, including the fact that there is a higher risk of tax review of transactions without a clear business purpose or with tax incompliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

33 Contingencies and Commitments (Continued)

The Russian transfer pricing legislation is to a large extent aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development. This legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not on an arm's length basis.

Russian legislation contains special rules for adjustment of transaction prices for tax purposes which includes transfer pricing rules as well as rules for securities and derivatives. The Group believes that no transactions performed in 2014 required tax adjustments, except for certain transactions in securities and derivatives. It is possible, with the evolution of the interpretation of the transfer pricing rules, that such transfer prices could be challenged. The impact of any such challenge cannot be reliably estimated.

ABH Financial includes companies incorporated outside of Russia. The tax liabilities of the Group are determined on the assumption that these companies are not subject to Russian profits tax, because they do not have a permanent establishment in Russia. This interpretation of relevant legislation may be challenged but the impact of any such challenge cannot be reliably estimated currently; however, it may be significant to the financial position and/or the overall operations of the Group.

In 2014 the Controlled Foreign Company ("CFC") legislation introduced Russian taxation of profits of foreign companies and non-corporate structures (including trusts) controlled by Russian tax residents ("controlling parties"). Starting from 2015 CFC income will be subject to a 20% tax rate if the CFC is controlled by a legal entity and a rate of 13% if it is controlled by an individual. As a result, management reassessed the Group's tax positions and concluded that this new legislation does not result in additional material deferred taxes for temporary differences that arose from the expected taxable manner of recovery of the relevant Group's operations to which the CFC legislation will apply to.

As Russian tax legislation does not provide definitive guidance in certain areas, the Group adopts, from time to time, interpretations of such uncertain areas that reduce the overall tax rate of the Group. While management currently estimates that the tax positions and interpretations that it has taken can probably be sustained, there is a possible risk that outflow of resources will be required should such tax positions and interpretations be challenged by the relevant authorities. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

Tax risks related to the operations of the Group in Ukraine, Kazakhstan and Belarus are similar to those in the Russian Federation.

Due to situation on foreign currency market in Belarus described in Note 2 the Group calculated but not recorded contingent liability. The contingent liability on the payment of tax in case of purchase of foreign currency at the Belarusian Currency and Stock Exchange by Alfa-Bank Belarus for the repayment of obligation to customers in foreign currency approximated USD 63 million. It was estimated as the difference between foreign currency liabilities less liquid foreign currency assets multiplied by 20%. On 8 January 2015 the tax on purchases of foreign currency was abolished.

In addition to the aforementioned risks, the Group estimates that as at 31 December 2014 and 31 December 2013 it had no other material probable or possible tax exposure. The above exposures are estimates that result from uncertainties in interpretation of applicable legislation and related documentation requirements. Management will vigorously defend the entities' positions and interpretations that were applied in determining taxes recognised in these consolidated financial statements if these are challenged by the authorities.

Capital commitments. As at 31 December 2014 the Group had capital commitments of USD 31 million (2013: USD 20 million), of which USD 9 million (2013: USD 7 million) related to construction expenditure and modernisation of premises and USD 22 million (2013: USD 13 million) related to purchase and installation of new computer systems. Management has already allocated the necessary resources in respect of these commitments. Management believes that future income and funding will be sufficient to cover these and any similar commitments.

33 Contingencies and Commitments (Continued)

Operating lease commitments. Where the Group is the lessee, the future minimum lease payments under non-cancellable operating leases were as follows:

In millions of US Dollars	2014	2013
Not later than 1 year	66	91
Later than 1 year and not later than 5 years	117	175
Later than 5 years	12	23
Total operating lease commitments	**195**	**289**

Credit related commitments and performance guarantees. The primary purpose of these instruments is to ensure that funds are available to a customer as required. Financial guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate or cash deposits and therefore carry less risk than a direct borrowing.

In addition to credit related commitments the Group issues performance guarantees. Performance guarantees are insurance contracts that provide compensation if another party fails to perform a contractual obligation. Such contracts transfer non-financial performance risk in addition to credit risk. The risk under performance guarantee contracts is the possibility that the insured event (i.e. the failure to perform the contractual obligation by another party) occurs. The key risks the Group faces are significant fluctuations in the frequency and severity of payments incurred on such contracts relative to expectations. The Group uses historical data and statistical techniques to predict levels of such payments. Claims must be made before the contract matures and most claims are settled within short term. This allows the Group to achieve a high degree of certainty about the estimated payments and therefore future cash flows. The Group manages such risks by constantly monitoring the level of payments for such products and has the ability to adjust its fees in the future to reflect any change in claim payments experience. The Group has a claim payment requests handling process which includes the right to review the claim and reject fraudulent or non-compliant requests.

Outstanding credit related commitments and performance guarantees were as follows:

In millions of US Dollars	2014	2013
Financial guarantees	901	807
Import letters of credit	344	441
Export letters of credit	93	79
Undrawn credit lines	15	175
Total credit related commitments	**1 353**	**1 502**
Performance guarantees	2 267	3 711
Total credit related commitments and performance guarantees	**3 620**	**5 213**

The total outstanding contractual amount of guarantees and letters of credit does not necessarily represent future cash requirements, as these instruments may expire or terminate without being funded. The fair value of credit related commitments and performance guarantees was USD 184 million as at 31 December 2014 (2013: USD 50 million).

33 Contingencies and Commitments (Continued)

The majority of credit related commitments and performance guarantees were issued in favour of Russian counterparties and their offshore companies as at 31 December 2014 and 2013.

Movements in the provision for losses on credit related commitments and performance guarantees were as follows:

In millions of US Dollars	2014	2013
Provision for losses as at 1 January	**50**	**41**
Provision for losses during the year	138	12
Business combinations (Note 41)	16	-
Effect of translation to presentation currency	(20)	(3)
Provision for losses as at 31 December (Note 21)	**184**	**50**

Compliance with covenants. Individual entities of the Group are subject to certain covenants related primarily to its borrowing and regulatory compliance (including those related to capital adequacy). Non-compliance with such covenants may result in negative consequences for the respective entities and the Group.

As at 31 December 2014 Alfa-Bank Ukraine breached the debt covenants stated in interbank financing agreement and customer accounts facility agreement by insufficient amount of regulatory capital. At the date of approval of these consolidated financial statements Alfa-Bank Ukraine has not obtained notifications from its creditors in respect of breach of covenants or any requests of earlier repayment of liabilities outstanding. Alfa-Bank Ukraine is discussing the matter with the creditors.

Other individual entities of the Group were in compliance with covenants as at 31 December 2014 and 2013.

Assets pledged and restricted. The Group had the following assets pledged as collateral:

	Note	2014		2013	
In millions of US Dollars		Asset pledged	Related liability	Asset pledged	Related liability
Repurchase receivables relating to trading securities	8,18	339	316	1 881	1 604
Margin call deposits	9	1 195	2 191	256	154
Loans and advances to customers	10,18	3 444	2 424	797	753
Investments available for sale	11,18	30	30	50	38
Investments held to maturity	11,18	15	15	83	63
Repurchase receivables relating to investments available for sale	11,18	288	236	-	-
Repurchase receivables relating to investments held to maturity	11,18	754	579	-	-
Restricted cash	13	6	-	13	-
Total		**6 071**	**5 791**	**3 080**	**2 612**

As at 31 December 2014 the estimated fair value of securities purchased under reverse sale and repurchase agreements (Notes 9 and 10), which the Group has the right to sell or re-pledge in the absence of default of the counterparty was USD 1 886 million (2013: USD 3 119 million). As at 31 December 2014 the fair value of such securities sold under sale and repurchase agreements with other banks and customers amounted to USD 280 million (2013: USD 2 098 million) (Notes 18 and 19).

As at 31 December 2014 mandatory cash balances with central banks in the amount of USD 290 million (2013: USD 453 million) represent mandatory reserve deposits, which are not available to finance the Group's day-to-day operations.

34 Offsetting Financial Assets and Financial Liabilities

Financial instruments subject to offsetting, enforceable master netting and similar arrangements include (1) amounts receivable under reverse repurchase agreements effectively collateralised by margin deposits and securities which are not recognized in consolidated statement of financial position, (2) amounts payable under repurchase agreements which are collateralised by repurchase receivables relating to trading securities and investments, (3) derivative financial instruments which are collaterised by margin deposits and (4) customer accounts, debt securities issued and other financial liabilities which are netted against loans and advances to customers and other financial assets with companies constituting a group of related companies.

The table below summarises assets and liabilities subject to offsetting as at 31 December 2014:

In millions of US Dollars	Gross amounts before offsetting in the statement of financial position (a)	Gross amounts set off in the statement of financial position (b)	Net amount after offsetting in the statement of financial position (c) = (a) - (b)	Amounts subject to master netting and similar arrangements not set off in the statement of financial position: Financial instru-ments (d)	Cash collateral received (e)	Net amount of exposure (c)-(d)-(e)
Assets						
Due from other banks						
- Reverse sale and repurchase agreements with other banks	135	-	135	135	-	-
Loans and advances to customers						
- Corporate loans	179	179	-	-	-	-
- Reverse sale and repurchase agreements	1 120	12	1 108	1 108	-	-
Derivative financial instruments	1 866	-	1 866	1 024	729	113
Other financial assets						
- Debt financial instruments designated at fair value through profit or loss	97	-	97	-	25	72
Total assets subject to offsetting, master netting and similar arrangement	**3 397**	**191**	**3 206**	**2 267**	**754**	**185**
Liabilities						
Due to other banks						
- Term placements	151	-	151	131	18	2
- Sale and repurchase agreements	1 351	-	1 351	1 351	-	-
Customer accounts	115	115	-	-	-	-
Debt securities issued	72	72	-	-	-	-
Derivative financial instruments	2 188	-	2 188	1 024	1 084	80
Other financial liabilities						
- Other	4	4	-	-	-	-
Total liabilities subject to offsetting, master netting and similar arrangement	**3 881**	**191**	**3 690**	**2 506**	**1 102**	**82**

34 Offsetting Financial Assets and Financial Liabilities (Continued)

The table below summarises assets and liabilities subject to offsetting as at 31 December 2013:

In millions of US Dollars	Gross amounts before offsetting in the statement of financial position (a)	Gross amounts set off in the statement of financial position (b)	Net amount after offsetting in the statement of financial position (c) = (a) - (b)	Amounts subject to master netting and similar arrangements not set off in the statement of financial position: Financial instruments (d)	Amounts subject to master netting and similar arrangements not set off in the statement of financial position: Cash collateral received (e)	Net amount of exposure (c)-(d)-(e)
Assets						
Due from other banks						
- Reverse sale and repurchase agreements with other banks	276	-	276	276	-	-
Loans and advances to customers						
- Corporate loans	246	246	-	-	-	-
- Reverse sale and repurchase agreements	1 912	13	1 899	1 899	-	-
Derivative financial instruments	160	15	145	62	44	39
Total assets subject to offsetting, master netting and similar arrangement	**2 594**	**274**	**2 320**	**2 237**	**44**	**39**
Liabilities						
Due to other banks						
- Sale and repurchase agreements	2 670	-	2 670	1 881	-	789
Customer accounts	190	190	-	-	-	-
Debt securities issued	61	61	-	-	-	-
Derivative financial instruments	160	15	145	53	92	-
Other financial liabilities						
- Other	8	8	-	-	-	-
Total liabilities subject to offsetting, master netting and similar arrangement	**3 089**	**274**	**2 815**	**1 934**	**92**	**789**

The amount set off in the consolidated statement of financial position reported in column (b) is the lower of (i) the gross amount before offsetting reported in column (a) and (ii) the amount of the related instrument that is eligible for offsetting. Similarly, the amounts in columns (d) and (e) are limited to the exposure reported in column (c) for each individual instrument in order not to understate the ultimate net exposure.

35 Transfers of Financial Assets

The Group transferred financial assets in transactions that did not qualify for derecognition in the current and prior periods:

Sale and repurchase transactions. As at 31 December 2014 the Group had trading securities and investments in the amount of USD 1 381 million that are subject to obligation to repurchase the securities for a fixed pre-determined price (2013: USD 1 881 million) (Notes 8 and 11). As at 31 December 2014 the carrying value of the liabilities associated with these sale and repurchase transactions was USD 1 131 million (2013: USD 1 604 million) (Notes 18 and 19). The estimated fair value of associated liabilities is approximately equal to their carrying value.

36 Interests in Structured Entities

The Group issued debt securities through consolidated structured entities incorporated in European countries. These entities were consolidated as they were specifically set up for the purposes of the Group, and the Group has exposure to substantially all of their risks and rewards. These entities have debt securities issued with a nominal value of USD 3 989 million outstanding as at 31 December 2014 (2013: USD 3 451 million).

37 Reclassification of Financial Instruments

In December 2014 the Group reclassified Corporate Eurobonds with a fair value of USD 444 million from trading securities category to investments available for sale. The reclassification was made on 15 December 2014 when, in management's opinion, the effects of falling crude oil prices combined with the international sanctions culminated in a collapse in Russian financial markets liquidity and stability evidenced by a significant depreciation of the RR exchange rate, a significant fall in financial instruments market prices, and a sudden rise in interest rates as the CBRF lifted the key rate from 10.5% p.a. to 17.0% p.a., in an attempt to stop the depreciation of the RR. Management believes that these events represented a rare event that was unusual and highly unlikely to recur in the near term.

Loss recognised in other comprehensive income after reclassification was as follows:

In millions of US Dollars	**Loss recognised in other comprehensive income from the date of the reclassification to 31 December 2014**
Corporate Eurobonds	(14)
Income tax recorded directly in other comprehensive income	3
Total loss	**(11)**

38 Derivative Financial Instruments

Derivative financial instruments are generally traded in an over-the-counter market with professional market counterparties on standardised or specific contractual terms and conditions.

The principal or agreed amounts of certain types of financial instruments provide a basis for comparison with instruments recorded on the consolidated statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates, foreign exchange rates or other variables relative to their terms. The aggregate contractual or principal amount of derivative financial instruments held and the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

38 Derivative Financial Instruments (Continued)

The principal or agreed amounts and fair values of derivative instruments other than foreign exchange forward and swap contracts are set out in the following table. This table reflects gross positions before the netting of any counterparty positions by type of instrument and covers the contracts with a maturity date subsequent to respective reporting period.

	2014			2013		
	Principal	Assets	Liabilities	Principal	Assets	Liabilities
In millions of US Dollars	or agreed amount	Positive fair value	Negative fair value	or agreed amount	Positive fair value	Negative fair value
Deliverable forwards						
Securities						
- sale of securities	736	127	(14)	1 941	16	(24)
- purchase of securities	48	-	(10)	42	2	-
Precious metals						
- sale of precious metals	-	-	-	2	-	-
- purchase of precious metals	-	-	-	2	-	-
Non-deliverable forwards						
Securities						
- sale of securities	-	-	-	162	1	(7)
- purchase of securities	2	-	-	-	-	-
Precious metals						
- sale of precious metals	59	-	-	41	-	-
- purchase of precious metals	59	-	-	41	-	-
Futures						
Other base assets						
- sale of other base assets	-	-	-	8	-	-
Call options						
Commodities						
- written call options	106	-	-	149	-	(13)
- purchased call options	106	-	(1)	149	12	-
Securities						
- written call options	30	-	(2)	33	-	(3)
- purchased call options	53	2	-	33	4	-
Foreign currency						
- written call options	208	-	(77)	124	-	(2)
- purchased call options	178	66	-	57	-	-
Put options						
Securities				-	-	-
- written put options	48	-	(8)	-	-	-
- purchased put options	7	26	-			
Commodities						
- written put options	276	-	(89)	244	-	(18)
- purchased put options	276	88	-	244	18	-
Foreign currency						
-written put options	-	-	(3)	-	-	-
-purchased put options	-	2	-	-	-	-
Swaps						
- interest rate swaps	644	30	-	122	-	(1)
- credit default swaps	339	105	-	373	110	-
- foreign currency swap with embedded written option	250	-	(10)	250	-	(19)
- foreign currency swap with embedded purchased option	250	12	-	250	19	-
- embedded derivative related to the loan from SDIA (Note 41)	1 020	-	(16)	-	-	-
Total		**458**	**(230)**		**182**	**(87)**

38 Derivative Financial Instruments (Continued)

The table below sets out fair values, as at the end of the reporting period, of currencies receivable or payable under foreign exchange forward and swap contracts (excluding options) entered into by the Group. The table reflects gross positions before the netting of any counterparty positions (and payments) and covers the contracts with settlement dates after the respective reporting dates.

	2014		2013	
	Contracts with		Contracts with	
In millions of US Dollars	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Forwards				
- USD receivable on settlement	9 184	678	6 206	3 723
- USD payable on settlement	(916)	(9 902)	(4 459)	(4 645)
- EUR receivable on settlement	357	2 155	1 846	1 039
- EUR payable on settlement	(1 742)	(547)	(1 286)	(1 092)
- RR receivable on settlement	580	5 721	2 989	3 483
- RR payable on settlement	(5 396)	(365)	(4 806)	(2 874)
- Other currencies receivables	488	591	566	980
- Other currencies payables	(473)	(592)	(878)	(709)
Swaps				
- USD receivable on settlement	885	171	49	377
- USD payable on settlement	(90)	(507)	(240)	(177)
- EUR receivable on settlement	176	85	212	82
- EUR payable on settlement	(10)	(171)	(5)	(207)
- RR receivable on settlement	-	239	40	258
- RR payable on settlement	(363)	-	(211)	(52)
- Other currencies receivables	92	130	178	11
- Other currencies payables	(385)	(171)	-	(323)
Derivatives embedded in debt securities classified as loans and receivables				
- USD receivable on settlement	55	-	50	-
- Other currencies payables	(28)	-	(38)	-
Derivatives embedded in loans and advances to customers				
- USD receivable on settlement	-	-	31	-
- Other currencies payables	-	-	(23)	-
Net fair value of foreign exchange derivatives	**2 414**	**(2 485)**	**221**	**(126)**

Prior to 1 July 2014 the Group applied hedge accounting for its existing hedge by foreign currency exchange forward contracts of part of the Group's net investment in subsidiaries of the Group that have Russian Rouble as a functional currency. On 1 July 2014 such hedge accounting was discontinued.

As at 31 December 2013 derivative financial instruments included currency forwards with a contractual amount of USD 2 706 million which were designated and qualified as hedge of the Group's net investment in subsidiaries of the Group that have Russian Rouble as a functional currency. As at 31 December 2013 the negative fair value of these hedging instruments amounted to USD 15 million. No amounts were reclassified from other comprehensive income during 2014 and 2013, as there were no disposals of subsidiaries, which the hedge related to.

38 Derivative Financial Instruments (Continued)

Starting 2014 the Group hedged interest rate risk associated with fixed rate loans and advances to customers and borrowings with interest rate swaps. The total portion of the fair value gains attributable to the change of interest rates, which was determined as the effective portion of the hedge during 2014, amounted to USD 30 million, while the ineffectiveness amounted to minus USD 1 million. Both these amounts were recorded in the consolidated profit or loss as a gain less losses from interest rate derivatives. The amount of the negative fair value adjustment attributable to the hedged risk and recorded in the balance of the loans to customers, which were being hedged, amounted to USD 30 million (2013: nil).

Forward positions in securities are summarised below. As at 31 December 2014 and 2013 the respective securities' long balance sheet positions, partially reduced risks related to the securities' short forward positions. Refer to Note 8.

	2014		**2013**	
	Principal or agreed amount		**Principal or agreed amount**	
In millions of US Dollars	**Sale**	**Purchase**	**Sale**	**Purchase**
Corporate Eurobonds	548	38	1 122	25
Corporate bonds	126	-	709	-
Russian Federation Eurobonds	41	5	143	6
Promissory notes	-	-	38	-
Corporate shares	17	6	34	6
ADRs and GDRs	-	1	-	5
Bonds and Eurobonds of other states	-	-	5	-
Municipal bonds	-	-	22	-
Russian Federation bonds	4	-	30	-
Total	**736**	**50**	**2 103**	**42**

39 Fair Value Disclosures

Fair value measurements are analysed by level in the fair value hierarchy as follows: (1) Level 1 are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (2) Level 2 measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (3) Level 3 measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

Recurring fair value measurements

Recurring fair value measurements are those that the accounting standards require or permit in the consolidated statement of financial position at the end of each reporting period. The levels in the fair value hierarchy into which the recurring fair value measurements are categorised are as follows:

39 Fair Value Disclosures (Continued)

In millions of US Dollars	2014 Level 1	2014 Level 2	2014 Level 3	2013 Level 1	2013 Level 2	2013 Level 3
Assets at fair value						
Financial assets						
Debt trading securities						
- Corporate Eurobonds	365	68	-	551	404	-
- Corporate bonds	48	78	-	278	25	-
- Russian Federation bonds and Eurobonds	80	-	-	108	-	-
- Promissory notes	-	-	-	38	-	-
- Municipal bonds	-	-	-	15	-	-
Equity trading securities						
- Corporate shares	25	3	-	38	4	-
- ADRs and GDRs	9	-	-	23	-	-
Repurchase receivables relating to debt trading securities						
- Corporate Eurobonds	169	13	-	659	235	-
- Corporate bonds	111	44	-	743	-	-
- Russian Federation bonds and Eurobonds	2	-	-	222	-	-
- Bonds and Eurobonds of other states	-	-	-	13	-	-
- Municipal bonds	-	-	-	7	-	-
Repurchase receivables relating to equity trading securities						
- Corporate shares	-	-	-	2	-	-
Debt investments available for sale						
- Russian Federation Eurobonds	874	-	-	851	-	-
- Corporate Eurobonds	293	-	-	168	-	-
- Bonds of other states	135	13	15	158	8	-
- Corporate bonds	72	58	-	64	-	-
- Municipal bonds	14	99	-	-	-	-
- Eurobonds of other states	-	-	-	25	1	-
Equity investments available for sale	-	-	5	-	-	7
Repurchase receivables relating to debt investments available for sale						
- Corporate Eurobonds	208	-	-	-	-	-
- Russian Federation Eurobonds	80	-	-	-	-	-
Derivative financial instruments						
- Foreign exchange derivatives	-	2 414	-	-	221	-
- Other financial derivatives	83	375	-	16	166	-
Other financial assets						
- Debt financial instruments designated at fair value through profit or loss	-	266	-	-	148	-
- Receivables on operations with securities	-	36	-	-	30	-
- Equity financial instruments designated at fair value through profit or loss	-	-	15	-	-	23
Non-financial assets						
- Land and premises	-	-	429	-	-	371
- Investment property	-	-	123	-	-	61
Total assets recurring fair value measurements	**2 568**	**3 467**	**587**	**3 979**	**1 242**	**462**
Liabilities carried at fair value						
Financial liabilities						
Derivative financial instruments						
- Foreign exchange derivatives	-	2 485	-	-	126	-
- Other financial derivatives	18	212	-	26	61	-
Other financial liabilities						
- Payable on operation with securities	-	119	-	-	72	-
Total liabilities recurring fair value measurements	**18**	**2 816**	**-**	**26**	**259**	**-**

39 Fair Value Disclosures (Continued)

Methods and assumptions for valuation of financial assets included in Level 2 and Level 3 of the fair valuation hierarchy

Level 2. The fair value of financial derivatives allocated to Level 2 was determined based on the discounted cash flows (DCF) models with all significant inputs observable in the market (LIBOR, EURIBOR, Mosprime, the exchange rates for foreign currencies). The fair value of securities with insignificant trading volumes was based on quotes provided by reputable brokerage houses. The fair value of financial instruments at fair value through profit or loss was based on LIBOR rates and credit value adjustment which reflects the probability of default of counterparty and debit value adjustment which reflects the possibility of the Group's default.

Level 3. Equity investments available for sale in the amount of USD 5 million (2013: USD 7 million) and equity investments at fair value through profit or loss in the amount of USD 15 million (2013: USD 23 million) allocated to Level 3 represent investments in funds and have been valued using the net assets values reported to the Group.

Refer to Note 14 for the information of revaluation of premises.

A reconciliation of movements in Level 3 of the fair value hierarchy by class of financial instruments for the year ended 31 December 2014 was as follows:

In millions of US Dollars	**Equity investments available for sale**	**Equity investments at fair value through profit or loss**
Fair value as at 1 January 2014	**7**	**23**
Acquisition	-	-
Effect of translation to presentation currency	(2)	(8)
Fair value as at 31 December 2014	**5**	**15**
Revaluation gains less losses recognised in profit or loss for the year for assets held as at 31 December 2014	-	-
Revaluation gains less losses recognised in other comprehensive income for the year for assets held as at 31 December 2014	-	-

A reconciliation of movements in Level 3 of the fair value hierarchy by class of financial instruments for the year ended 31 December 2013 was as follows:

In millions of US Dollars	**Equity investments available for sale**	**Equity investments at fair value through profit or loss**
Fair value as at 1 January 2013	**366**	**79**
Gains or losses recognised in profit or loss for the year	54	4
Gains or losses recognised in other comprehensive income	(55)	-
Acquisition	3	14
Disposals	(361)	(74)
Fair value as at 31 December 2013	**7**	**23**
Revaluation gains less losses recognised in profit or loss for the year for assets held as at 31 December 2013	-	**4**
Revaluation gains less losses recognised in other comprehensive income for the year for assets held as at 31 December 2013	-	-

39 Fair Value Disclosures (Continued)

Assets and liabilities not measured at fair value but for which fair value is disclosed

Fair values analysed by level in the fair value hierarchy and carrying value of financial assets and liabilities not measured at fair value are as follows:

	2014				2013			
	Fair value			Carrying	Fair value			Carrying
In millions of US Dollars	Level 1	Level 2	Level 3	amount	Level1	Level2	Level 3	amount
Due from other banks								
Term placements with other banks	-	3 539	-	3 539	-	3 085	-	3 085
Reverse sale and repurchase agreements with other banks	-	135	-	135	-	276	-	276
Loans and advances to customers								
Loans and advances to corporate customers:								
- Corporate loans	-	-	20 020	21 531	-	-	25 639	25 372
- Reverse sale and repurchase receivables	-	-	1 091	1 092	-	-	1 866	1 866
- Finance lease receivables	-	-	787	809	-	-	1 218	1 217
- Loans to small and medium-size enterprises ("SMEs")	-	-	714	810	-	-	639	611
- Advances on lease operations	-	-	5	6	-	-	10	9
Debt securities classified as loans and receivables	-	181	-	182	-	264	-	264
Loans and advances to individuals:								
- Credit cards and personal instalment loans ("PILs")	-	-	3 119	3 516	-	-	4 866	4 467
- Consumer loans	-	-	765	934	-	-	1 938	1 675
- Mortgage loans	-	-	240	255	-	-	364	386
- Car loans	-	-	73	81	-	-	84	102
- Reverse sale and repurchase receivables	-	-	16	16	-	-	33	33
Debt investments held to maturity								
Corporate Eurobonds	115	74	-	224	25	-	-	25
Bonds of other states	196	-	-	200	136	-	-	133
Corporate bonds	24	-	-	26	14	-	-	13
Russian Federation Eurobonds	15	-	-	15	-	-	-	-
Municipal bonds	7	-	-	7	-	-	-	-
Repurchase receivables relating to investments								
Corporate Eurobonds	336	297	-	700	-	-	-	-
Corporate bonds	48	-	-	54	-	-	-	-
Other financial assets	-	1	146	147	4	3	112	119
Total	**741**	**4 227**	**26 976**	**34 279**	**179**	**3 628**	**36 769**	**39 653**

39 Fair Value Disclosures (Continued)

	2014				2013			
	Fair value			Carry-ing amount	Fair value			Carry-ing amount
In millions of US Dollars	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
Due to other banks								
- Correspondent accounts and overnight placements of other banks	-	390	-	390	-	414	-	414
- Term placements of other banks	-	2 256	-	2 261	-	1 948	-	1 948
- Sale and repurchase agreements with other banks	-	20	-	20	-	2 670	-	2 670
- Term deposits with CBRF	-	2 426	-	2 426	-	-	-	-
- Sale and repurchase agreements with CBRF	-	1 331	-	1 331	-	2 232	-	2 232
- Loans received under a secured lending programme	-	2 281	-	2 281	-	611	-	611
Customer accounts								
Commercial organisation								
- Current/settlement accounts	-	3 856	-	3 856	-	4 841	-	4 841
- Term deposits	-	5 151	-	5 186	-	8 397	-	8 353
Individuals								
- Current/demand	-	5 149	-	5 149	-	7 439	-	7 439
- Term deposits	-	8 067	-	8 092	-	8 647	-	8 646
State and public organisations								
- Current/settlement accounts	-	178	-	178	-	295	-	295
-Term deposits	-	574	-	588	-	404	-	403
Debt securities issued								
Russian Rouble denominated bonds	1 038	3	-	1 086	1 227	35	-	1 254
Notes maturing in September 2017	934	-	-	983	1 124	-	-	1 003
Notes maturing in 2021	882	-	-	976	1 086	-	-	1 005
Promissory notes and other domestic bonds	-	905	-	912	-	1 951	-	1 901
Notes maturing in 2015	577	-	-	575	646	-	-	603
Notes maturing in June 2017	399	-	-	435	-	-	-	-
Notes maturing in 2016	158	-	-	180	311	-	-	309
Notes maturing in 2018	77	-	-	89	95	-	-	95
Euro Commercial Paper Notes	-	-	71	71	-	452	-	452
Syndicated and other debt								
Loan from the SDIA maturing on 3 September 2024	-	276	-	276	-	-	-	-
Syndicated loan maturing on 23 April 2014	-	-	-	-	-	350	-	350
Syndicated loan maturing on 24 October 2014	-	-	-	-	-	51	-	51
Subordinated debt								
Subordinated notes maturing in 2019	601	-	-	669	769	-	-	713
Subordinated loans from VEB maturing 2020	-	472	-	472	-	801	-	801
Subordinated Loan maturing in 2020	208	-	-	251	-	-	-	-
Subordinated notes maturing in 2017	223	-	-	247	259	-	-	246
Subordinated loans from VEB maturing 2019	-	174	-	174	-	297	-	297
Other financial liabilities								
Provision for losses on credit related commitments	-	-	184	184	-	-	50	50
Trade payables	-	-	31	31	-	-	68	68
Plastic card and other settlements with clients	-	-	23	23	-	-	28	28
Other	8	4	83	95	-	8	54	64
Total	**5 105**	**33 513**	**392**	**39 487**	**5 517**	**41 843**	**200**	**47 142**

39 Fair Value Disclosures (Continued)

The Group has margin deposits with its counterparties, which serves as collateral for its outstanding derivative liabilities. In addition, the Group's liabilities to its customers are subject to state deposit insurance schemes as described in Note 1. The fair value of these liabilities reflects these credit enhancements.

Cash and cash equivalents are carried at amortised cost which approximates current fair value.

Loans and receivables carried at amortised cost. The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

Investments held to maturity. The fair value of investments held to maturity has been determined by reference to published price quotations.

Due to banks and customer accounts are carried at amortised cost. The estimated fair value of fixed interest rate instruments with stated maturity, for which a quoted market price is not available, was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used were consistent with the credit risk of the individual entities depending on currency and maturity of the instrument.

Debt securities issued. The fair value of traded securities has been determined by reference to published price quotations. The fair value of the rest of the debt was estimated on the basis of discounted cash flows using interest rates for similar instruments.

Syndicated and other debt. The estimated fair value of syndicated and other debt is based on discounted cash flows using interest rates for similar instruments.

Subordinated debt. The fair value of traded subordinated debt has been determined by reference to published price quotations. The fair value of the rest of the debt was estimated on the basis of discounted cash flows using interest rates for similar instruments.

40 Related Party Transactions

For the purposes of these consolidated financial statements, parties are generally considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial or operational decisions as defined by IAS 24 "Related Party Disclosures". In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Banking transactions are entered into in the normal course of business with related parties. These transactions include settlements, loans, deposit taking, guarantees, trade finance, corporate finance, foreign currency exchange and other transactions.

Some of the Shareholders (Note 1) own an interest in CTF Holdings Limited ("CTFH"). The Company and CTFH and their subsidiaries previously formed a consortium commonly called Alfa Group. In December 2014 relationship between the Shareholders changed and from December 2014 CTFH and its subsidiaries are not considered to be related parties to the Group.

40 Related Party Transactions (Continued)

The outstanding balances as at year end and income and expense items as well as other transactions for the year with related parties were as follows:

	2014		2013	
In millions of US Dollars	As at 31 December 2014: the Shareholders; for 2014: Alfa Group and other related parties	Key management	Alfa Group and other related parties	Key management
Trading securities and repurchase receivables	-	-	232	-
Loans and advances to customers (2013: USD: 5.0% - 20.7%; RR: 5.5% – 17.0%; Other: 6.3% - 22.0%)	6	-	570	30
Provision for loan impairment	-	-	(103)	(11)
Investments in associate	10	-	15	-
Other receivables	-	-	23	-
Customer accounts (USD: 0.0% - 5.0%; RR: 0.0% - 21.8%; EUR: 0.0% - 5.8%) (2013: USD: 0.0% - 10.5%; RR: 0.0% - 9.5%; Other: 0.0% - 7.7%)	1 729	17	3 320	21
Other payables	-	6	28	17
Interest income	134	-	107	1
Interest expense	(88)	(1)	(74)	(1)
Fee and commission income	152	1	156	2
Fee and commission expense	(2)	(1)	(1)	(1)
Gains less losses arising from trading securities	(9)	-	(16)	-
Gains less losses arising from equity investments available for sale	-	-	53	-
Other income	6	-	2	-
Other expenses	(14)	(4)	(19)	(19)
Guarantees issued	-	-	278	-

Other related parties in the table above include the Shareholders, significant investees of the Shareholders, associates and joint ventures of Alfa Group.

Interest rates in the above tables represent effective contractual rates.

As at 31 December 2013 substantially all provision for loan impairment on balances outstanding from related parties represented the allocated part of collective impairment provision.

As at 31 December 2013 liabilities of the Group classified as "Alfa Group and other related parties" included USD 150 million of third parties funds managed by subsidiaries of CTFH.

Key management of the Group represents top management of the Company and members of the Boards of Directors of the key entities of the Group. Key management compensation is presented below:

In millions of US Dollars	2014	2013
Salaries	5	6
Short-term bonuses	1	5
Long-term bonuses	(2)	8
Key management compensation expense for the year	**4**	**19**

Short-term bonuses represent bonuses payable immediately or shortly after they are accrued, while long-term bonuses represent bonuses payable more than 12 months after the end of the year in which the employee rendered service.

41 Business Combinations

In August 2014 the CBRF decided to conduct a financial rehabilitation of OJSC Baltiyskiy Bank ("Baltiyskiy Bank"), which began to experience financial difficulties in 2013. Baltiyskiy Bank is a regional Russian bank based in St. Petersburg and active in the North-Western region of Russia with a significant base of customers of approximately 2 million clients.

In August 2014 the CBRF announced that the Group has won a tender for the financial rehabilitation of Baltiyskiy Bank. In September 2014 the State Deposit Insurance Agency (the "SDIA") provided Baltiyskiy Bank with a RR 57 400 million (equivalent of USD 1 537 million) loan carrying an interest rate of 0.51% p.a. and repayable in 2024 (except that earlier partial repayments are required in case of recovery of certain problem assets of Baltiyskiy Bank) (Note 20).

In October 2014 the Group acquired shares representing approximately 89% interest in Baltiyskiy Bank for a consideration not exceeding USD 1 million. In accordance with the CBRF decision until 24 December 2014 the SDIA acted as a temporary administrator of Baltiyskiy Bank and rights of its shareholders were suspended. Therefore the Group was able to use its power over Baltiyskiy Bank only from 24 December 2014 and this date is considered to be the date of acquisition of Baltiyskiy Bank by the Group.

In accordance with IFRS 3 "Business Combinations" the Group accounted for the acquisition based on provisionally estimated fair values of the identifiable assets acquired and liabilities and contingent liabilities assumed:

In millions of US Dollars	**Attributed provisional fair value as at the date of acquisition**
Cash and cash equivalents	156
Due from other banks	17
Loans and advances to customers	251
Investments	38
Customer relationship	22
Other financial and non-financial assets	67
Premises and equipment	42
Customer accounts	(1 021)
Loan from the SDIA	(285)
Other financial and non-financial liabilities	(48)
Deferred tax liability	(91)
Fair value of identifiable net assets (excluding balances receivable by Baltiyskiy Bank from the Group)	**(852)**
Receivable by Baltiyskiy Bank from the Group	**971**
Subtotal	**119**
Non-controlling interest	(13)
Gain on a bargain purchase recognised in profit or loss	(106)
Total purchase consideration and previously held interest in the acquiree	**-**
Cash and cash equivalents of subsidiary acquired	156
Inflow of cash and cash equivalents on acquisition	**156**

In April 2014 the Group acquired shares representing approximately 99.8% interest in PJSC "Bank of Cyprus" (Ukraine), corporate loans issued by the Bank of Cyprus Group with credit risk exposure to Ukraine, intra-group funding provided by the Bank of Cyprus Group to PJSC "Bank of Cyprus".

41 Business Combinations (Continued)

In accordance with IFRS 3 "Business Combinations" the Group accounted for the acquisition based on provisionally estimated fair values of the identifiable assets acquired and liabilities and contingent liabilities assumed:

In millions of US Dollars	**Attributed provisional fair value as at the date of acquisition**
Cash and cash equivalents	18
Mandatory cash balances	2
Due from banks	1
Loans and advances to customers	317
Other financial and non-financial assets	56
Due to other banks	(102)
Customer accounts	(60)
Other liabilities	(3)
Fair value of identifiable net assets	**229**
Non-controlling interest	-
Gain on a bargain purchase recognised in profit or loss	(41)
Total purchase consideration and previously held interest in the acquiree	**188**
Deferred consideration	(126)
Cash and cash equivalents of subsidiary acquired	(18)
Outflow of cash and cash equivalents on acquisition	**44**

At the acquisition date the total purchase consideration and its components were as follows:

In millions of US Dollars	
Cash consideration paid	62
Liability for contingent consideration incurred	126
Total purchase consideration	**188**

In addition, in March 2014 the Group acquired share of an Ukrainian insurance company from a related party. As a result of the acquisition the Group recognised goodwill in the amount of USD 4 million that was fully impaired as at 31 December 2014. Total purchase consideration approximated USD 2 million.

42 Subsequent Events

Refer to Note 2 for the information on recent political and economic developments in the countries of the Group's operations. Refer to Note 20 for the information on redemption of borrowings in 2015.